

DECISION-MAKER:	CABINET COUNCIL
SUBJECT:	THE 2024/25 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY
DATE OF DECISION:	5 MARCH 2024 (CABINET) 6 MARCH 2024 (COUNCIL)
REPORT OF:	COUNCILLOR LETTS CABINET MEMBER FOR FINANCE AND CHANGE

<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY
Not Applicable

EXECUTIVE SUMMARY
<p>This report details the revenue budget for 2024/25 and the Medium-Term Financial Strategy (MTFS) for the period 2024/25 to 2027/28. It provides detail to inform Council in setting the council tax charge for 2024/25. A report setting out the Capital Strategy, Flexible Use of Capital Receipts Strategy, and details of the General Fund capital programme for 2023/24 to 2028/29 is considered elsewhere on this agenda.</p> <p>The council's financial position is such that the budget setting process for 2024/25 has been considerably more challenging than previous years, including during those under austerity and funding reductions. The council faces significant financial challenges to deliver a balanced budget. This includes limited revenue reserves, ongoing financial pressures, especially in children's services and adult social care, and the continuing impact of inflation and interest rates.</p> <p>The 2023/24 budget was balanced by a reliance on revenue reserves (£20.6M). In addition, sizable new budget pressures and increases to existing pressures have emerged during 2023/24. A combination of limited remaining reserves and high pressures has led to an underlying structural budget deficit in-year that is projected to continue into future years.</p> <p>It is against this backdrop that we are presenting budget proposals for 2024/25. Despite considerable progress during 2023/24 in identifying measures to reduce expenditure and identify savings, a shortfall remains between the predicted level of spend and the council's funding available. A balanced budget for 2024/25 is only achieved with Exceptional</p>

Financial Support (EFS) from the government. This support will be in the form of a capitalisation direction, which will allow the council to use capital resources to meet revenue expenditure in 2024/25. Without this support the council would almost certainly have been facing a Section 114 notice.

The report commissioned from the Chartered Institute of Public Finance and Accountancy (CIPFA) during 2023/24 on the council's financial management and resilience identified that the authority was displaying financial stress across five dimensions. These include running down of reserves, failure to plan and deliver savings, short term financial planning, a tendency to overspend and a lack of detail in business decisions.

Following this, the Council agreed a new Financial Strategy at its meeting in July 2023. However, resolving the issues raised by CIPFA will take time. The next financial year (2024/25) will be a critical year for the council as it implements measures to restore financial stability and sustainability and addressing the structural budget deficit. These measures are set out later in the report.

RECOMMENDATIONS:

CABINET

GENERAL FUND REVENUE

Cabinet is recommended to:

	i)	Recommend to Council the Medium-Term Financial Strategy 2024/25 to 2027/28 as set out in table 1 and Appendix 1.
	ii)	Recommend to Council the Revenue Budget for 2024/25 as set out in table 2 and Appendices 1 and 2.
	iii)	Recommend to Council the inclusion in the budget General Fund pressures totalling £42.03M in 2024/25, increasing to £51.21M in 2027/28, as detailed in paragraph 33.
	iv)	Recommend to Council the inclusion of new commitments totalling £0.86M in 2024/25, increasing to £4.89M in 2027/28, as detailed in paragraph 36.
	v)	Recommend to Council the inclusion of savings proposals totalling £22.68M in 2024/25 General Fund Revenue Budget, reducing to £20.94M in 2027/28, as detailed in paragraph 40.
	vi)	Note that the Government is minded to provide Exceptional Financial Support (EFS) to the Council. This will be in the form of a capitalisation direction, to ensure the council can agree a balanced budget for 2024/25, has sufficient resources to pay for transformation and other work needed to ensure the council is on a sustainable financial footing in future, and meet other potential liabilities.
	vii)	Recommend to Council the establishment of a comprehensive Transformation Programme as detailed in paragraphs 59 to 63 and associated funding of up to £10.62M from a combination of capital resources and Transformation Reserve. To further recommend to delegate to the Chief Executive (after consultation with the Leader of the Council) the draw-down of funding and the establishment of a resource plan as required for the Transformation Programme.
	viii)	Recommend to Council the adoption of the Business Planning and Budget Framework set out at paragraph 64 and Appendix 6.

	ix)	Recommend to Council an increase in the 'core' council tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	x)	Recommend to Council that it sets the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 at £121.43M as per Appendix 9. The Council Tax increase comprises a core increase of 2.99% and 2.00% specifically for Adult Social Care.
	xi)	Note the summary of changes to fees and charges set out in paragraph 89 and Appendix 12 and recommend Council to approve the increase in Careline charges set out in Appendix 12.
	xii)	Recommend to Council the endorsement of the Statement of the S151 Officer as set out in paragraphs 118 to 124 on the robustness of the budget and the adequacy of the council's reserves.
		Other Recommendations
	xiii)	Recommend to Council the content of the procurement pipeline 2024-29 contained at Appendix 7.
	xiv)	Recommend the delegation of authority to the Executive Director Corporate Services & S151 Officer and the Executive Director of Place (after consultation with the relevant Cabinet Member) everything that is necessary to prepare a specification, carry out a procurement process or other route to market and to appoint a single provider(s) for the delivery of highways and associated services for a maximum period of 15 years, including approving the utilisation of any contractually permitted extension as set out in Appendix 8.
	xv)	Recommend to Council the adoption of the draft corporate debt policy and combined council tax and business rates recovery policy at annexes 6 and 7 to the MTFS (Appendix 1).
	xvi)	Approve the acceptance of 2024/25 Rough Sleeper Initiative Funding of circa £0.80M.
	xvii)	Recommend to Council the application of Council Tax premiums on properties empty for 12 months or more (from 2024/25) and second homes (from 2025/26).
COUNCIL		
Council is recommended to:		
	i)	Approve the revised Medium Term Financial Strategy (MTFS) for the period 2024/25 to 2027/28 as set out in Table 1 and Appendix 1.
	ii)	Approve the 2024/25 General Fund Revenue Budget as set out in Table 2 and Appendices 1 and 2.
	iii)	Approve an increase in the 'core' council tax of 2.99% and an increase in the Adult Social Care precept of 2.00%, allowable under general powers to increase council tax without a referendum.
	iv)	Approve additional General Fund pressures totalling £42.03M in 2024/25, increasing to £51.21M in 2027/28, as detailed in paragraph 33.

v)	Approve the new commitments totalling £0.86M in 2024/25, increasing to £4.89M in 2027/28, as detailed in paragraph 36.
vi)	Approve savings proposals totalling £22.68M that are included in the 2024/25 General Fund Revenue Budget, reducing to £20.94M in 2027/28, as detailed in paragraph 40.
vii)	Note that the Government is minded to provide Exceptional Financial Support (EFS) to the Council. This will be in the form of a capitalisation direction, to ensure the council can agree a balanced budget for 2024/25, has sufficient resources to pay for transformation and other work needed to ensure the council is on a sustainable financial footing in future, and meet other potential liabilities.
viii)	Approve the establishment of a comprehensive Transformation Programme as detailed in paragraphs 59 to 63 and associated funding of up to £10.62M from a combination of capital resources and Transformation Reserve. To further recommend to delegate to the Chief Executive (after consultation with the Leader of the Council) the draw-down of funding and the establishment of a resource plan as required for the Transformation Programme.
ix)	Approve the adoption of the Business Planning Framework set out at paragraph 64 and Appendix 6.
x)	Delegate authority to the Executive Director Corporate Services & Section 151 Officer, following consultation with the Cabinet Member for Finance and Change, to do anything necessary to give effect to the proposals contained in this report.
xi)	Set the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 at £121.43M as per Appendix 9.
xii)	Note the estimates of precepts on the council tax collection fund for 2024/25 as set out in Appendix 10.
xiii)	Note the summary of changes to fees and charges set out in paragraph 89 and Appendix 12 and approve the increase in Careline charges set out in Appendix 12.
xiv)	Note and endorse the Statement of the S151 Officer as set out in paragraphs 118 to 124 on the robustness of the budget and the adequacy of the council's reserves.
xv)	Note the content of the procurement pipeline 2024-29 contained at Appendix 7.
xvi)	Delegate authority to the Executive Director Corporate Services & S151 Officer and the Executive Director of Place (after consultation with the relevant Cabinet Member) everything that is necessary to prepare a specification, carry out a procurement process or other route to market and to appoint a single provider(s) for the delivery of highways and associated services for a maximum period of 15 years, including approving the utilisation of any contractually permitted extension as set out in Appendix 8.

	xvii)	Note and adopt the draft corporate debt policy and combined council tax and business rates recovery policy at annexes 6 and 7 to the MTFs (Appendix 1).
	xviii)	Agree to the application of Council Tax premiums for properties empty for 12 months or more (from 2024/25) and second homes (from 2025/26).
	xix)	<p>Agree that the following amounts be now calculated by the council for the financial year 2024/25 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992; and</p> <p>determine in accordance with Section 52ZB of the Act that the council's relevant basic amount of council tax for 2024/25 is not excessive in accordance with principles approved by the Secretary of State under Section 52ZC of the Act.</p> <p>a) £595,220,372 (being the aggregate of the amounts which the council estimates for the items set out in Section 31A(2) of the Act).</p> <p>b) £473,790,082 (being the aggregate of the amounts which the council estimates for the items set out in Section 31A(3) of the Act).</p> <p>c) £121,430,290 (being the amount by which the aggregate at (a) above exceeds the aggregate at (b) above, calculated in accordance with Section 31A(4) of the Act as its Council Tax Requirement for the year). (Item R in the formula in Section 31B(1) of the Act).</p> <p>£1,812.69 (being the amount at (c) above (Item R), all divided by the tax base of 66,989 (Item T), calculated by the council, in accordance with Section 31B(1) of the Act, as the basic amount of its council Tax for the year).</p>

REASONS FOR REPORT RECOMMENDATIONS

1. The Council's Constitution requires Full Council to set Council Tax and agree the Budget for the forthcoming financial year. This report sets out the budget proposals for Cabinet's consideration so that it can make recommendations to Full Council, to enable it to agree the Budget and set Council Tax for the year.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. The Council can set a balanced budget for 2024/25. This is on the basis that the council has accepted the Exceptional Financial Support (EFS) package that the Government is minded to offer. Without EFS, the S151 Officer would have been obliged to issue a s114 notice.

INTRODUCTION

3. The budget setting process and development of the MTFs has been undertaken against the backdrop of significant financial challenges for the Council, including a structural deficit of close to £40M and growing service pressures. This has resulted in an unbalanced budget and request for EFS. Despite this the Council plans to spend £595M next year in providing local services excluding housing. When combined with the spend within the Housing Revenue Account (HRA) and the capital programme (both General Fund and Housing), the total spend by the council is planned at £837M.

4.	Building on the progress already made, the Council will require a stronger focus on financial management and accountability to ensure it improves its financial resilience and secures a sustainable financial position. This will require an improvement in financial management capabilities across the organisation and a strong emphasis on budget management and accountability.
5.	The council has very limited reserves, due to using reserves in previous years to meet outturn deficits and balancing the budget. A further £7.6M may be required from reserves to cover the outturn deficit for 2023/24.
6.	Reliance on reserves is not an approach that can be used to achieve a sustainable financial position. This is because reserves can only be used once and should not be used to fund recurring expenditure.
7.	A report providing an update on the MTFS and budget position for 2024/25 was presented to Cabinet on 29 November 2023. This budget report provides an update to that report, giving details of the council's financial resources following the local government financial settlement and sets out the final proposals in respect of budgetary pressures and savings, taking account of feedback received from the budget consultation and the latest financial monitoring position.
8.	<p>Like many authorities who are looking to the medium term, it is anticipated that the financial challenges facing the Council will continue. Without action, the budget gap will continue to grow as shown in the MTFS (Appendix 1).</p> <p>Even with the successful Exceptional Financial Support (EFS) application, difficult decisions will need to be taken as this only gives the council a window of opportunity to set itself sustainable business and financial plans. This will require a relentless focus on savings delivery and the development of a Transformation Programme and Plan.</p> <p>Whilst the priority will remain to protect and improve service delivery, the context will be a necessity to be realistic about our ambitions and what we can afford. This will be underpinned by an earned confidence in our ability to both deliver and manage our resources.</p>
9.	The General Fund revenue budget is based on a council tax increase for 2024/25 of 4.99%, being 2.99% for 'core' council tax and 2.00% for the adult social care precept, in line with the referendum limits set by the government. The final council tax bills will include precepts made by the Hampshire and Isle of Wight Fire and Rescue Authority and the Hampshire and Isle of Wight Police and Crime Commissioner, which impacts on the final charge. Hence, the final increase residents see on their bills will differ from the 4.99% charge from Southampton City Council.
10.	This equates to the Band D Council Tax for Southampton City Council at £1,812.69 for 2024/25, a Net Budget Requirement of £239.24M and the Council Tax Requirement for 2024/25 of £121.43M.
	<u>STRATEGIC CONTEXT</u>
	<u>Autumn Statement 2023</u>
11.	The government published its Autumn Statement 2023 on 23 November 2023, setting out spending plans for 2024/25 and guidelines for the medium term. The public sector spending plans included within the Autumn Statement suggest that prospects for local government funding in the next spending review period (from 2025/26) look very tight, with the likelihood of real-terms cuts for unprotected

	services and more reliance on council tax rises rather than grant increases. From a local authority perspective there was very little additional funding beyond what had already announced in the previous year's autumn statement for adult social care and no indications of increases in future years.
12.	Further details of the Autumn Statement are provided in the Medium-Term Financial Strategy (MTFS) (Appendix 1).
	<u>Local Government Finance Policy Statement and Settlement</u>
13.	The government published a policy statement on 5 December 2023 outlining its intentions for the 2024/25 local government finance settlement. This built on the principles set out in the policy statement issued in December 2022.
14.	The policy statement confirmed local authorities could apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for 2024/25.
15.	It set out the basis for uplifting baseline funding levels, the treatment of social care grants, provided confirmation that revenue support grant would be uprated by inflation and that the New Homes Bonus scheme would be continued for a further year. It noted Services Grant would continue, however at a reduced level. The statement also confirmed that local authorities would receive compensation, based on the Consumer Price Index (CPI), for freezing of the small business rates multiplier.
16.	The provisional local government finance settlement was announced on 18 December 2023. The allocation for Southampton City Council was largely as anticipated, except for the higher than expected reduction in Services Grant of £406M nationally.
17.	Following consultation on the provisional settlement the government announced £600M of additional funding on 24 January 2024, £500M of which was extra Social Care Grant. Final revised allocations to local authorities were confirmed when the Settlement was published on 5 February 2024.
18.	In the final settlement the government also set out a requirement for local authorities to produce productivity plans, showing how they will improve service performance and reduce wasteful expenditure. Plans will need to be published by July 2024.
19.	Further details of the local government finance policy statement and settlement are provided in the Medium-Term Financial Strategy (Appendix 1).
	<u>Other issues affecting the MTFS</u>
20.	New fees and charges and revenue reserves policies were approved by Full Council in July 2023 as part of the MTFS update report. In this budget report the Council are asked to adopt the new draft corporate debt policy and combined council tax and business rates recovery policy which are included as Annexes 6 and 7 to the MTFS.
21.	Other new issues affecting the MTFS include Health Determinants Research Collaboration and Local Enterprise Partnership (LEP) Integration.
22.	Further details are provided in the Medium-Term Financial Strategy (MTFS) (Appendix 1).

MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024/25 to 2027/28

23. The Medium Term Financial Strategy (MTFS) provides a strategic framework and forward looking approach to achieve long term financial sustainability for the council. The focus this year has been on stabilising the council's financial position and right-sizing the budget to match the current operation. This means that the cash limited budgets for 2024/25 are realistic and deliverable. Cash limits will be applied in future years' budgets to close any budget shortfall that remains after implementing the transformation programme and agreeing and delivering additional savings.

24. Table 1 below sets out the council's MTFS for the five financial years to 2027/28. The second column represents the Council's proposed budget for 2024/25.

25. The MTFS shows the impact of EFS in balancing the budget for 2024/25. It also highlights the on-going and growing structural budget deficit in future years which must be closed to achieve a sustainable financial position. It does not include any revenue costs associated with borrowing that may be required to fund EFS as these costs are not known at this stage.

26. Table 1 – MTFS 2023/24 to 2027/28

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
Directorate:					
Children & Learning	58.44	61.83	62.58	62.88	63.58
Corporate Services	28.03	30.78	31.70	33.14	33.85
Place	42.61	51.97	54.25	57.26	60.83
Strategy & Performance and CEO	3.65	4.07	4.16	4.29	4.40
Wellbeing & Housing	97.83	104.26	108.72	112.63	116.51
Total Directorate Expenditure	230.57	252.91	261.41	270.20	279.17
Capital Asset Management	10.06	13.66	16.59	19.13	20.64
Levies & Contributions	0.09	0.10	0.10	0.10	0.11
Other Centrally Held Budgets	5.61	7.85	9.52	10.52	10.52
Transfers to/(from) Reserves	(24.75)	2.07	2.40	5.88	7.32
Contribution to General Fund Balance	0.00	1.93	0.00	0.00	0.00
Exceptional Financial Support (EFS)	0.00	(39.28)	0.00	0.00	0.00
Net Revenue Expenditure	221.58	239.24	290.03	305.84	317.76
Council Tax	(115.77)	(121.43)	(126.43)	(130.11)	(133.75)
Business Rates	(47.45)	(51.21)	(57.00)	(58.11)	(59.22)
Collection Fund Surplus/Deficit	(1.43)	(2.25)	0.00	0.00	0.00
General Government Grants	(56.93)	(64.35)	(58.73)	(55.28)	(54.37)
Total Funding	(221.58)	(239.24)	(242.16)	(243.50)	(247.34)
Net Budget Shortfall	0.00	0.00	47.86	62.33	70.41

Numbers are rounded

27. The Budget 2024/25 is set out in Table 2 below. It shows the changes in pressures, savings and funding that are the movements between the budget for 2024/25 agreed in February 2023 and the budget presented in this report. Further details are provided in Appendix 2. For services these are the cash limits for the 2024/25 financial year.

28. **Table 2 – 2024/25 General Fund Revenue Budget**

Directorate	2024/25 Budget Approved Feb 2023	Pay and Price Inflation	Pressures and Commitments	Savings	Other Amendments	Total Movements	Revised 2024/25 Budget
	£M	£M	£M	£M	£M	£M	£M
Children & Learning	54.68	1.44	10.01	(4.92)	0.62	7.14	61.83
Corporate Services	24.72	1.79	5.65	(3.20)	1.82	6.07	30.78
Place	42.92	3.24	11.92	(7.08)	0.97	9.05	51.97
Strategy & Performance and CEO	2.99	0.19	0.60	(0.27)	0.56	1.08	4.07
Wellbeing & Housing	90.86	6.64	11.16	(5.49)	1.09	13.40	104.26
Other inflationary pressures	15.49	(10.53)	0.00	0.00	(4.96)	(15.49)	0.00
Directorate Expenditure	231.67	2.77	39.34	(20.96)	0.10	21.25	252.91
Capital Asset Management	12.70	0.24	1.62	(0.91)	0.00	0.96	13.66
Levies & Contributions	0.09	0.00	0.01	0.00	0.00	0.01	0.10
Other Centrally Held Budgets	6.04	0.00	1.92	(0.01)	(0.10)	1.81	7.85
Transfers to/from Reserves	0.00	0.00	0.00	0.00	2.07	2.07	2.07
Contribution to General Fund Balance	0.00	0.00	0.00	0.00	1.93	1.93	1.93
Exceptional Financial Support	0.00	0.00	0.00	0.00	(39.28)	(39.28)	(39.28)
Net Revenue Expenditure	250.50	3.01	42.89	(21.88)	(35.27)	(11.25)	239.24
Council Tax	(118.81)	0.00	0.00	(0.36)	(2.26)	(2.62)	(121.43)
Business Rates	(54.06)	0.00	0.00	0.00	2.85	2.85	(51.21)
Collection Fund Surplus/Deficit	0.00	0.00	0.00	0.00	(2.25)	(2.25)	(2.25)
General Government Grants	(56.41)	0.00	0.00	(0.45)	(7.50)	(7.95)	(64.35)
Total Funding	(229.28)	0.00	0.00	(0.80)	(9.17)	(9.97)	(239.24)
Net Budget Shortfall	21.22	3.01	42.89	(22.68)	(44.44)	(21.22)	0.00

Numbers are rounded

Note: The Approved Budget column is the budget that Council approved in February 2023. It differs from the 2023/24 column in the MTFS table (Table 1 above) because the latter includes in-year movements and the 2024/25 approved budget reflects previously agreed changes.

MTFS AND BUDGET ASSUMPTIONS

29. Inflation

Although inflation fell during 2023 it remains at an elevated level and continues to impact on the council's pay and contract costs. The 2023/24 pay award cost 5.6%

	<p>on average, 1.6% more than has been allowed for in the budget, creating an on-going inflationary pressure of £2.0M. The 2024/25 pay award is assumed to be 3%, rather than the 2% previously allowed for, creating an inflationary pressure of £1.3M from 2024/25 onwards. £2.5M has been included in the 2024/25 budget for contract inflation (other than for adult social care provider contracts) at an average increase of 6.5%, which is £0.5M less than previously provided for. An increase of £0.2M has been allowed for within the Capital Asset Management budget to recognise the additional capital financing costs arising from inflation on capital expenditure. The MTFS agreed in February 2023 included £5.0M for inflation on adult social care provider contracts for 2024/25. A proposal to release £1.0M of that budget provision is included within the savings proposals.</p>																																								
30.	<p><u>Employer’s Pension Contributions</u></p> <p>The Hampshire Local Government Pension Scheme employer contribution rate applicable from April 2023 to March 2026 is 16.8%. No changes to the rate have been assumed following the next triennial revaluation which will take effect from April 2026.</p>																																								
31.	<p><u>Capital Asset Management</u></p> <p>Capital financing costs are met from the Capital Asset Management budget held centrally within the council. Estimates have been updated in line with the latest capital programme detailed in the General Fund Capital Programme 2023/24 to 2028/29 report elsewhere on this agenda and reflect savings being made through reviewing and rephasing the programme as well as additional costs from new commitments.</p> <p>A borrowing rate of 5.0% for 2024/25 and ongoing has been assumed within the MTFS.</p>																																								
	<p><u>New budget pressures</u></p>																																								
32.	<p>The MTFS update to Cabinet in November 2023 noted budget and inflationary pressures totalling £37.8M for 2024/25, of which £3.1M related to pay awards/inflation and the remaining £34.7M to other budget pressures. Table 3 below sets out the updated position for other budget pressures. These are mainly due to continuing high demand for council services, especially for children’s and adults social care and home to school transport, as well as pressures due to high costs of homelessness provision, savings proposals and income targets that are no longer considered achievable and higher costs of capital financing.</p>																																								
33.	<p><u>Table 3 – Summary of new budget pressures</u></p> <table border="1"> <thead> <tr> <th>Directorate</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> </tr> </thead> <tbody> <tr> <td>Children & Learning</td> <td>10.01</td> <td>10.10</td> <td>9.66</td> <td>9.66</td> </tr> <tr> <td>Corporate Services</td> <td>5.65</td> <td>5.81</td> <td>6.19</td> <td>6.19</td> </tr> <tr> <td>Place</td> <td>11.77</td> <td>13.41</td> <td>14.65</td> <td>16.52</td> </tr> <tr> <td>Strategy & Performance and CEO</td> <td>0.60</td> <td>0.60</td> <td>0.60</td> <td>0.60</td> </tr> <tr> <td>Wellbeing & Housing</td> <td>10.82</td> <td>10.94</td> <td>11.66</td> <td>12.38</td> </tr> <tr> <td>Centrally Held Budgets</td> <td>3.18</td> <td>5.85</td> <td>5.85</td> <td>5.86</td> </tr> <tr> <td>Total new budget pressures</td> <td>42.03</td> <td>46.71</td> <td>48.61</td> <td>51.21</td> </tr> </tbody> </table> <p>Numbers are rounded</p>	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Children & Learning	10.01	10.10	9.66	9.66	Corporate Services	5.65	5.81	6.19	6.19	Place	11.77	13.41	14.65	16.52	Strategy & Performance and CEO	0.60	0.60	0.60	0.60	Wellbeing & Housing	10.82	10.94	11.66	12.38	Centrally Held Budgets	3.18	5.85	5.85	5.86	Total new budget pressures	42.03	46.71	48.61	51.21
Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M																																					
Children & Learning	10.01	10.10	9.66	9.66																																					
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Strategy & Performance and CEO	0.60	0.60	0.60	0.60																																					
Wellbeing & Housing	10.82	10.94	11.66	12.38																																					
Centrally Held Budgets	3.18	5.85	5.85	5.86																																					
Total new budget pressures	42.03	46.71	48.61	51.21																																					

34.	Appendix 3 provides details of the pressures summarised above. Details of previously agreed pressures that have a continuing impact in 2024/25 and beyond are provided in the MTFS (Appendix 1).				
35.	<p>Budget pressures for 2024/25 have increased by £7.4M since the position reported to Cabinet in November 2023. The main contributors to this increase are:</p> <ul style="list-style-type: none"> • An increase in the forecast cost of temporary accommodation for homelessness provision (£2.2M) • Highways and street lighting contract pressures (£1.9M) • Review and rebasing of Corporate Services budgets (£0.9M) • Review of fees and charges income targets (£0.9M) • An increase in the forecast cost of Home to School Transport (£0.8M) • Children’s residential units (£0.7M) 				
New Commitments					
36.	<u>Table 4 – Summary of new proposed commitments</u>				
	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
	Place	0.15	0.15	0.15	0.15
	Wellbeing & Housing	0.34			
	Centrally Held Budgets	0.37	1.49	3.16	4.74
	Total new commitments	0.86	1.64	3.31	4.89
	Numbers are rounded				
37.	Details of the proposed new commitments are set out in Appendix 4.				
38.	The Centrally Held Budgets commitments relate to the capital financing cost of new capital projects, including investment in a replacement social care IT system covering children’s and adult services, following the current provider withdrawing from the market and IT hardware technology refresh. It also includes the potential revenue impact of other recently added capital investment projects including the SEND schools and refurbishment of St Mary’s Leisure Centre (see Capital Strategy report for further details).				
New Savings					
39.	The MTFS update to Cabinet in November 2023 noted cost control measures and savings proposals totalling £23.0M for 2024/25 (including those still subject to consultation at that time). Although new proposals have been brought forward since November, review and refinement of proposals that had already been reported to Cabinet has resulted in very little net movement, with the updated position showing savings totalling £22.7M for 2024/25.				
40.	<u>Table 5 – Summary of new savings proposals</u>				
	Directorate	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
	Children & Learning	(4.92)	(4.49)	(4.42)	(4.37)
	Corporate Services	(3.20)	(2.88)	(2.49)	(2.49)
	Place	(7.08)	(7.07)	(7.04)	(6.80)

	Strategy & Performance and CEO	(0.27)	(0.27)	(0.27)	(0.27)
	Wellbeing & Housing	(5.49)	(4.55)	(4.55)	(4.55)
	Centrally Held Budgets	(1.72)	(2.73)	(2.54)	(2.46)
	Total new savings proposals	(22.68)	(21.99)	(21.31)	(20.94)
Numbers are rounded					
41.	Appendix 5 provides details of the savings proposals summarised above.				
42.	Work on savings proposals for 2024/25 will not stop once the budget is set. Further proposals will be brought forward during the year as soon as they are ready to be implemented or to be consulted upon as necessary, to reduce in-year spending and to help close the forecast budget shortfall in 2025/26 and future years.				
OTHER ISSUES CONTRIBUTING TO THE MTFS AND BUDGET 2024/25					
<u>2023/24 General Fund Revenue Outturn</u>					
43.	The 2023/24 forecast outturn for the General Revenue Fund based on the monitoring position as at the end of January 2024 is a £7.6M overspend, an improvement of £4.2M from the position as at the end of December 2023 reported to Cabinet on 20 February 2024. Short of any further improvement in the financial position this will be met from the Medium-Term Financial Risk Reserve.				
44.	Forecast overspends relate to high demand for children’s services and adult social care in the main, with £4.0M being for home to school transport, £3.5M for looked after children’s placements and £5.0M for the cost of adults’ client packages. Additional budget provision has been included in 2024/25 and in the MTFS in the key areas of pressure contributing to the forecast over-spend in 2023/24. This will ensure that in 2024/25 and beyond these budgets are manageable and robust. These additional costs are being partly offset by in-year savings and other favourable variances elsewhere.				
45.	The improvement since the position as at the end of December 2023 relate to cost control measures delivering cost reductions earlier than previously anticipated, together with application of additional one-off grant funding.				
<u>Balances and earmarked revenue reserves</u>					
46.	CIPFA recommends a minimum General Fund balance of 5% of net revenue expenditure. In the MTFS the General Fund balance has been increased by £1.9M from £10.1M to £12.0M in line with the CIPFA recommended minimum.				
47.	Earmarked reserves (excluding schools’ balances) totalled £49.6M at the end of 2022/23 and are forecast to be £21.1M at the end of 2023/24, after taking account of the budgeted drawn down from reserves and use to meet the 2023/24 in-year overspend. In recognition that the level of reserves is inadequate to provide sufficient cover for risks, the MTFS includes the setting aside of sums to rebuild reserves over time. Table 6 summarises planned contributions to corporate reserves over the period of the MTFS.				
48.	<u>Table 6 – Planned contributions to earmarked reserves</u>				
		2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M
	Net contribution to reserves	2.07	2.40	5.88	7.32

	Numbers are rounded																									
49.	Further details on the forecast level of reserves and contributions to corporate reserves are provided in paragraphs 90 to 99 below and in the MTF5 (Appendix 1).																									
50.	<p><u>Table 7 – Forecast Budget Shortfall</u></p> <table border="1"> <thead> <tr> <th></th> <th>2024/25</th> <th>2025/26</th> <th>2026/27</th> <th>2027/28</th> </tr> <tr> <th></th> <th>£M</th> <th>£M</th> <th>£M</th> <th>£M</th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td>278.52</td> <td>290.03</td> <td>305.84</td> <td>317.76</td> </tr> <tr> <td>Funding</td> <td>(239.24)</td> <td>(242.16)</td> <td>(243.50)</td> <td>(247.34)</td> </tr> <tr> <td>Forecast Budget Shortfall</td> <td>39.28</td> <td>47.86</td> <td>62.33</td> <td>70.41</td> </tr> </tbody> </table> <p>Numbers are rounded</p>		2024/25	2025/26	2026/27	2027/28		£M	£M	£M	£M	Net Expenditure	278.52	290.03	305.84	317.76	Funding	(239.24)	(242.16)	(243.50)	(247.34)	Forecast Budget Shortfall	39.28	47.86	62.33	70.41
	2024/25	2025/26	2026/27	2027/28																						
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Forecast Budget Shortfall	39.28	47.86	62.33	70.41																						
	<u>Exceptional Financial Support (EFS)</u>																									
51.	An application has been made to Government seeking Exceptional Financial Support (EFS) to help balance the budget for 2024/25 and provide for other costs and potential liabilities. The Government has now confirmed that it is minded to support the council by providing an EFS facility. A Ministerial Statement on 29 February has confirmed this for Southampton City Council, and for several other local authorities.																									
52.	The government has previously agreed to provide a small number of local authorities with support via the Exceptional Financial Support framework. This follows requests from these councils for assistance to manage financial pressures that they considered unmanageable and was likely to mean the requirement to agree a balanced budget could not be achieved. The support is provided on an exceptional basis, and often requires that each local authority is subject to an external assurance review on their financial position. The government has extended this to 19 authorities for 2024/25 including Southampton. This includes authorities that were already in receipt of such support.																									
53.	The EFS is that the council can use up to £121.58M of capital resources to fund revenue expenditure and other potential liabilities. The Council is not obliged to use the full value of the EFS, and this should be seen as a facility to use rather than permission to spend. EFS is not additional funding, and it must be repaid either through capital receipts or borrowing. The use of the EFS facility should therefore be kept to the minimum necessary.																									
54.	The estimated EFS requirement is based on several elements. The first being the £39.28M required to close the 2024/25 budget shortfall. This is shown in table 1 above. Further elements include funding for the proposed Transformation Programme and restructuring costs (see paragraphs 59 to 63 below). Recognising the Council's limited reserves, a further component of £7.48M is to fund any unforeseen events in 2024/25 that cannot be covered from reserves.																									
55.	The council is carrying a contingent liability to cover potential equal pay claims. This liability is an unintended consequence of different working practices that have been in place across the organisation for several years, the amount of which will be determined by a full equal pay audit. A sum of up to £52M is included in the EFS to create a provision for such claims, as and when these can be quantified.																									
56.	The EFS will be in the form of a 'Capitalisation Direction'. Capitalisation is how the government permits local authorities to treat revenue costs as capital expenditure. It																									

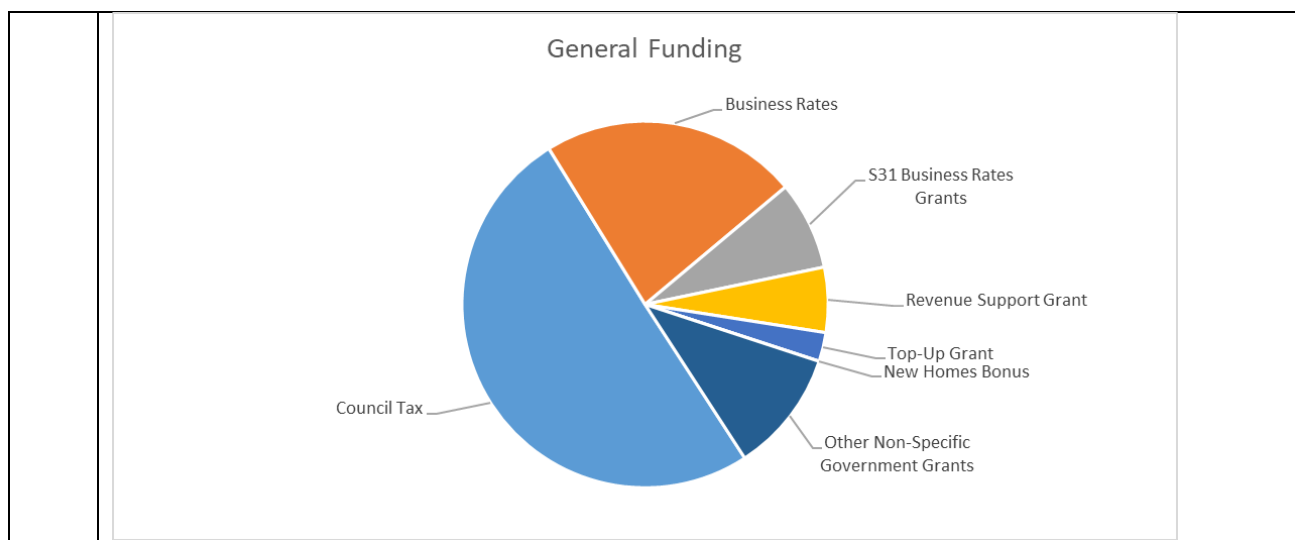
	<p>is a relaxation of the rules that require revenue costs to be met from revenue resources only and that councils should not “borrow” to fund revenue expenditure. Obviously, a local authority does not have to borrow to fund the capitalised expenditure as it can legitimately use capital receipts to do so.</p> <p>EFS is only available in 2024/25 to give the council time to develop further savings and transformation plans to reduce the structural budget deficits in future years.</p>
57.	<p>Any use of EFS will require the generation of capital receipts to create the necessary funding or will need to be funded by new borrowing. Any new borrowing will attract a premium of 1% on the prevailing PWLB rates and removes the entitlement for us to borrowing using certainty rates, so will be closer to 1.5% above the rate we would have borrowed at. The repayments will add to the financial pressures the Council faces.</p>
58.	<p>The Government has attached two significant conditions to the granting of EFS. Firstly, the Council must produce a Transformation and Improvement Plan and secondly, the government will commission an External Assurance Review on the Council’s use of EFS and progress in its plans to close the structural deficit in 2025/26 and beyond.</p>
	<p>PLANS FOR 2024/25</p>
	<p>Transformation Programme</p>
59.	<p>The Council is establishing a comprehensive Transformation Programme as part of its plans to address the structural budget deficit. The scope of the programme is currently in development but is likely to include service review and re-design, new service operating models, technology enabled change and efficiency, asset rationalisation (see ADDP below), procurement and third party spend, income generation and partnership working (including with health and the voluntary sector).</p>
60.	<p>The funding requirement for the Programme is up to £10.62M in 2024/25, matching the EFS application for this component. In 2024/25 transformation funding will be primarily drawn from capital resources. The Programme will be multi-year and further resource requests will come forward for future years, including how these will be funded.</p>
61.	<p>The Transformation Programme will operate in parallel with an on-going drive to identify and implement new savings proposals in-year and to contribute to the MTFS in future years. This will inevitably include proposals to stop or reduce non-core and non-statutory activity.</p>
62.	<p>The Government has required the Council to produce a Transformation and Improvement Plan as a condition of its EFS offer, and the scope of the Council’s Transformation Programme will be reflected in this Plan.</p>
63.	<p>The Transformation Programme will result in significant changes to the council including the restructuring of directorates and services. To eliminate the structural budget deficit, the Council will have to be a smaller organisation in the future. The EFS facility includes up to £12.2M for restructuring costs in 2024/25, including for potential redundancy costs.</p>
	<p>Business and Budget Planning Framework</p>
64.	<p>The Council will implement a new Business and Budget Planning Framework for 2024/25 that will be closely aligned to the MTFS. It will be built around:</p> <ul style="list-style-type: none"> • An overall Council wide Business Plan and MTFS

	<ul style="list-style-type: none"> • A single integrated Transformation Plan • Clear service plans (including savings delivery plans) • A renewed focus on budget management and accountability <p>The Business and Budget Planning Framework is at Appendix 6.</p>
	Accountability Statements and Cash Limits
65.	It is important to remember that the basis of the new budget strategy agreed by council in July 2023 is one of cash limited budgets. The intention was that to enforce greater resilience and ensure there is a culture of financial management and control, the council will introduce 'cash limited' budgets for Directorates and Portfolios to adhere to. An Executive Director or Cabinet Member must plan to always stay within their cash limited budgets. As the CIPFA review of financial management recommends, a clear message of ownership and accountability for sound financial management needed to be reinforced across the council.
66.	To further promote good financial management, Accountability Statements will be produced for all budget holders setting their responsibility to manage budgets and to take action to mitigate budget pressures where overspending is forecast. The Cabinet Report of 29 November 2023 set out a draft statement and made it clear this would be introduced from 1 April 2024 in a supportive way with necessary training, advice and support provided to budget holders. The business and budget planning framework will introduce a Budget Review Panel chaired by the Chief Executive to ensure any overspending areas are tackling the issue and building robust deficit recovery plans. This budget review panel will replace cost control panel, thereby placing the emphasis on budget holders to be accountable and responsible for living within their means.
	Procurement Plan and Highways Framework
67.	Appendix 7 sets out the procurement pipeline for the period 1 April 2024 to 31 March 2029, inclusive. This provides details of anticipated non-health and care procurement projects that have a forecast value of more than £10,000. It should be noted that urgent and unforeseen projects may be added to the procurement pipeline.
68.	A notable planned procurement relates to a new Framework approach for Highways. The council has a statutory duty to deliver certain highways and related services and various delivery models have been considered to achieve this. The "single provider" delivery model has been identified as most able to deliver best value and meet the council's requirements. Approval to procure the single provider model will provide certainty in terms of the delivery model and allow for more detailed planning, scoping, and formal procurement activity to commence. Further information is contained in Appendix 8.
	Asset Disposal and Development Programme (ADDP)
69.	The Asset Disposal and Development Programme is seeking to generate capital receipts over several years. These receipts will be used to meet the costs of the transformation programme and, if there is sufficient available, consideration will be giving to using receipts to fund the capitalisation direction instead of borrowing.
	Financial Management Improvement
70.	In response to the CIPFA recommendations on financial management and finance function effectiveness, a programme of work has commenced to implement these

	recommendations. The over-riding aim of the work is to improve financial management across the organisation, including the effectiveness of budgetary management and control, enhanced financial awareness and skills, and improving working relationships between finance and service directorates. It will also be about improving the effectiveness of the Council's finance function. The project covers four main themes which are people and culture, processes, data and reporting, and use of technology.																																
	Debt Management																																
71.	A new operating model for debt recovery will be implemented. This will centralise the management of debt, enabling a clearer focus on this activity and improving the customer experience by taking a holistic view of those residents and businesses who are in multiple debt. Prevention will play a key part going forwards, for example, increasing the options for customers to pay in advance or at the point of sale thus avoiding debt happening in the first place.																																
	<u>COUNCIL RESOURCES AND FUNDING</u>																																
	<u>THE 2023/24 COLLECTION FUND FORECAST OUTTURN</u>																																
72.	The estimated position on the Collection Fund is set out in Table 8 below:																																
73.	<p><u>Table 8 – Collection Fund 2023/24 Estimated Surplus/Deficit</u></p> <table border="1"> <thead> <tr> <th></th> <th>Council Tax £M</th> <th>Business Rates £M</th> <th>Total £M</th> </tr> </thead> <tbody> <tr> <td>(Surplus)/Deficit Carried Forward</td> <td>1.18</td> <td>(6.61)</td> <td>(5.43)</td> </tr> <tr> <td>Which is shared as follows:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Southampton City Council</td> <td>0.99</td> <td>(3.24)</td> <td>(2.25)</td> </tr> <tr> <td>Hampshire and Isle of Wight Police & Crime Commissioner</td> <td>0.14</td> <td>N/A</td> <td>0.14</td> </tr> <tr> <td>Hampshire and Isle of Wight Fire & Rescue Authority</td> <td>0.05</td> <td>(0.07)</td> <td>(0.02)</td> </tr> <tr> <td>Central Government</td> <td>N/A</td> <td>(3.30)</td> <td>(3.30)</td> </tr> <tr> <td>Total</td> <td>1.18</td> <td>(6.61)</td> <td>(5.43)</td> </tr> </tbody> </table> <p>Numbers are rounded</p>		Council Tax £M	Business Rates £M	Total £M	(Surplus)/Deficit Carried Forward	1.18	(6.61)	(5.43)	Which is shared as follows:				Southampton City Council	0.99	(3.24)	(2.25)	Hampshire and Isle of Wight Police & Crime Commissioner	0.14	N/A	0.14	Hampshire and Isle of Wight Fire & Rescue Authority	0.05	(0.07)	(0.02)	Central Government	N/A	(3.30)	(3.30)	Total	1.18	(6.61)	(5.43)
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74.	The £2.25M that is attributable to Southampton City Council is a one-off sum, and this is reduced to £2.17M by a reduction in business rates reliefs grant receivable. The bulk will be used to make contributions to the Transformation Reserve (£1.67M) in line with the revenue reserves policy. This will be used to support the Transformation Programme and activities referenced in paragraph 59 above. The balance (£0.5M) will be used to contribute to the Organisation Re-design Reserve.																																
	COUNCIL TAX																																
75.	For 2024/25 an increase in 'core' council tax of 2.99% and an increase in the adult social care precept of 2.00% is proposed. This in line with the referendum limits set by the government, which means that the overall charge for the Southampton City Council element of the council tax will increase to £1,812.69 for a Band D household, which is an extra £1.66 per week. The full calculation is set out in Appendix 9, which																																

	shows the council tax requirement for 2024/25 is £121.4M. Additional charges will be made by the Police and Fire authorities as set out in Appendix 10.
76.	The tax base has been calculated based on 66,989 (Band D equivalents) for 2024/25, which represents a reduction of 0.1% on the tax base applied in 2023/24 (a reduction of around £0.1M in council tax income). The reduction is primarily due to a revision to the estimated collection rate from 98.5% to 98.25% to reflect more recent experience, offset by an estimated increase in the tax base from the introduction of premiums on properties that are empty for 12 months or more from 1 April 2024.
77.	The tax base estimate for 2025/26 includes the estimated impact of introducing council tax premiums on second homes from 1 April 2025.
78.	The government has given no indication of council tax referendum limits for future years. For planning purposes, the MTFs includes the working assumption that the 'core' council tax charge will increase by 2.99% each year from 2025/26 and there will be no increase in the adult social care precept.
	BUSINESS RATES
79.	Under the business rates retention scheme the council retains 49% of the business rates collected locally, with 1% going to the Hampshire and Isle of Wight Fire & Rescue Authority and 50% to central government. The council's estimated share of business rates income (excluding government grant in lieu of rates) for 2024/25 is £51.2M.
80.	The Non-Domestic Rating Act 2023 gave power to ministers to set the small and standard business rates multipliers separately. The government used this new power to announce in the 2023 Autumn Statement different treatments for the multipliers for 2024/25, with the small business rate multiplier being frozen and the standard business rate multiplier being increased by 6.62% in line with the Consumer Price Index (CPI) for September 2023. The freeze in the small business rates multiplier and the extension of the rate relief measures for the retail, hospitality and leisure sectors, also announced in the 2023 Autumn Statement, will be funded by government grant.
81.	The Non-Domestic Rating Act 2023 allows for more frequent updates of rateable values, which will occur every 3 years rather than every 5 years, beginning in 2026. The MTFs assumes the impact of the revaluations on the council's income will be neutral, on the assumption that Top-Up Grant will be adjusted as with previous revaluations.
	GOVERNMENT GRANTS
82.	<u>Revenue Support Grant (RSG)</u> For 2024/25 the inflationary uplift in RSG is £0.9M (6.6%), taking it to £13.7M. The MTFs assumes that the settlement funding assessment (SFA) for 2025/26 onwards will remain at the cash amount as for 2024/25. SFA comprises RSG and business rates baseline funding. Therefore, as it is assumed that business rate income will rise with inflation, it is assumed that RSG will reduce in real terms.
83.	<u>Top-Up Grant</u> The council receives Top-Up Grant as an element of its settlement funding assessment. The grant was adjusted in 2023/24 for the effect of the 2023 business

	<p>rates revaluation and this adjustment was updated in the 2024/25 settlement to reflect 2022/23 outturn data. The council's Top-Up Grant for 2024/25 is £6.1M. The MTFS assumes that a business rates baseline reset will occur in 2026/27 and the council's Top-Up Grant will reduce as a result.</p>
84.	<p><u>New Homes Bonus</u></p> <p>The scheme was expected to have ended a few years ago, however the government has rolled it over for one more year. The council's allocation for 2024/25 is less than £0.1M, relating to the element for bringing empty properties back into use, as it didn't achieve the threshold for receiving a growth allocation.</p>
85.	<p><u>Public Health Grant</u></p> <p>The Public Health Grant continues to be a ring-fenced grant in 2024/25 and is included within the budget for the Wellbeing & Housing Directorate. Final allocations for 2024/25 were published on 5 February 2024, with the council being awarded £18.9M.</p>
86.	<p><u>Other Grants</u></p> <p>Additional ring-fenced funding for adult social care were announced in the 2022 Autumn Statement.</p> <p>In December 2023 the government confirmed additional funding for the second year of the Market Sustainability and Improvement Fund (MSIF) Workforce Fund would be rolled into the existing MSIF for 2024/25. The council's allocations for 2024/25 are £2.5M Adult Social Care Discharge Fund and £4.9M MSIF.</p> <p>The Improved Better Care Fund allocation for 2024/25 is £10.7M, which represents no change from the previous year. These ring-fenced grants are included within the budget for the Wellbeing & Housing Directorate.</p> <p>The council's share of Social Care Grant has increased from £18.5M for 2023/24 to £24.3M for 2024/25, including its share of the extra £500M announced by the government on 24 January 2024.</p> <p>The Social Care Grant was un-ringfenced up until 2022/23. However, from 2023/24 onwards the government has stipulated that it can only be used to meet spending in adults and children's social care. As the grant can be used across both areas of social care it is treated within the MTFS as general funding.</p> <p>Services Grant, which was a new funding stream in 2022/23, has been significantly reduced from £2.2M for 2023/24 to £0.4M for 2024/25, as it is being used to pay for increases elsewhere in the settlement.</p> <p>The MTFS assumes that these other grants are ongoing in future years.</p> <p>Further details on government grants are provided in the MTFS (Appendix 1) and a schedule of key grants received by the council is included at Appendix 11.</p>
87.	<p>Chart 1 below shows a breakdown of the council's £239.2M general funding for 2024/25. Council tax revenue is the single most significant portion of un-ringfenced council funding, representing half of the general funding available.</p>
88.	<p><u>Chart 1 – 2024/25 General Funding</u></p>



FEES & CHARGES

89. Fees and charges have been reviewed and updated by 6.7% in the main (September 2023 CPI) in line with the policy set out in the MTFS (Appendix 1), with the additional income being reflected in the savings proposals referenced in paragraph 40. A summary of fees and charges changes for 2024/25 is included at Appendix 12 and a schedule of individual charges is available in Members’ Room Documents. Both Appendix 12 and the schedule of charges include increases in Careline charges for 2024/25.

REVENUE RESERVES

90. Reviewing reserves and considering their level against risk faced is a normal part of the budget process, including any top-ups or drawdowns. However, for the 2024/25 budget, consideration of the level of reserves is much less secure due to the difficult financial circumstance in which the Council finds itself.

The CIPFA report commissioned by the Council during the summer noted that council reserves had undergone “a significant reduction and this erosion of reserves means that these cannot be utilised in the future years to support the Council’s finances and in reality, places the organisation at significant risk during 2023/24 and beyond”. CIPFA considered reserves to be insufficient even allowing for a then estimated Medium-Term Financial Risk Reserve balance of £10M (as at 31 March 2024). Since then, new forecasts have been made for this reserve.

Earmarked Reserves

91. Allowing for the current estimated in-year overspend forecast, the Council’s main reserve to cover financial and other risks, the Medium Term Financial Risk (MTFR) reserve, will be reduced to £1.7M as at 31 March 2024. This compares with a balance of £28.4M at the start of 2023/24.

92. The forecast balance on the Transformation and Improvement and Organisational Redesign Reserves at the end of 2023/24 is £5.2M. Allowing for an anticipated top-up in 2024/25, the total available in both reserves next year will be round £7.3M.

93. The reserve forecasts are provided in the MTFS at Appendix 1. Other reserves listed have been established to address known and specific liabilities and are therefore considered unavailable for use with transformation costs or to cover

	financial risks. This situation will be kept under regular review, given the difficult financial circumstances the council faces.																																				
94.	Table 9 below sets out the forecast levels of the Council's earmarked reserves, showing which of the earmarked reserves are set aside to manage financial risk and which are either contractually committed or required to fund known initiatives such as the proposed Transformation Programme.																																				
95.	<p><u>Table 9 – Reserves (excluding schools' balances) forecast year end balance</u></p> <table border="1"> <thead> <tr> <th>Type of reserve</th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> <th>2027/28 £M</th> </tr> </thead> <tbody> <tr> <td>Risk</td> <td>4.12</td> <td>3.32</td> <td>5.72</td> <td>10.40</td> <td>17.72</td> </tr> <tr> <td>Contractual purpose</td> <td>4.26</td> <td>4.02</td> <td>3.58</td> <td>3.16</td> <td>2.62</td> </tr> <tr> <td>Ringfenced</td> <td>6.35</td> <td>4.16</td> <td>3.56</td> <td>4.03</td> <td>4.60</td> </tr> <tr> <td>Internal projects</td> <td>6.34</td> <td>8.52</td> <td>8.53</td> <td>8.54</td> <td>8.57</td> </tr> <tr> <td></td> <td>21.07</td> <td>20.02</td> <td>21.39</td> <td>26.13</td> <td>33.52</td> </tr> </tbody> </table> <p>Numbers are rounded</p>	Type of reserve	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	Risk	4.12	3.32	5.72	10.40	17.72	Contractual purpose	4.26	4.02	3.58	3.16	2.62	Ringfenced	6.35	4.16	3.56	4.03	4.60	Internal projects	6.34	8.52	8.53	8.54	8.57		21.07	20.02	21.39	26.13	33.52
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	21.07	20.02	21.39	26.13	33.52																																
96.	A new policy for reserves was adopted by Council in July 2023. The agreed policy is supplied in Annex 8 to the MTFS (Appendix 1). The intention is to adhere to an approach where reserves are not used for balancing the budget but are for non-recurrent purposeful investment or spend and to ensure that there is financial provision set aside to meet known future one-off commitments. The approach is that any 'one off' gains arising during the year will be directed into reserves to supplement resources held.																																				
	General Fund balance																																				
97.	The General Fund balance is forecast to be £10.07M by 31 March 2024, the same sum as at the start of the year and the balance it has been for several years now.																																				
98.	For 2024/25 it is being increased to £12.0M in line with the CIPFA recommended minimum balance.																																				
99.	There is limited capacity to add substantially to reserves in the forthcoming financial years. However, in future years the Council must create greater headroom within its general and earmarked reserves to manage future risks and fund one-off investments.																																				
	Contingency																																				
100.	The contingency budget for 2024/25 in the draft budget is set at £7.5M. However, it includes £2M for potential redundancy costs and a further £1.9M allowance for potential loss in rental income arising from asset disposals. Given the level of reserves, a higher contingency sum would have been desirable, but under the circumstances it has not been possible to increase its level.																																				
101.	Under the approach of cash limited budgets now adhered to by the council, previously held sums for inflation have now been fully allocated out to directorates. This means there is no central resources to fund pay awards or inflationary pressures if it exceeds the allocation made. In such circumstances the directorates themselves would have to find additional savings in-year to compensate for inflationary pressure when it exceeds the sums allocated.																																				

HOUSING REVENUE ACCOUNT (HRA)	
102.	<p>The HRA is reported separately. The HRA continues to face challenges to its financial position both now and especially in the future.</p> <p>The HRA can only be funded via the rents and other housing related charges it generates, being a ring-fenced account. The same economic pressures with costs faced on the General Fund are coupled with the decisions that have curtailed potential income.</p> <p>The decision was made to freeze rents and service charges for one-year in 2022/23 (when most authorities implemented a 4.1% rise), as well as rent reductions of 1% pa between 2016/17 and 2019/20, producing a significant loss of base income which has a continuing effect.</p> <p>Planning for the Housing stock requires long term planning. The HRA must not only present a balanced budget for 2024/25, but it must also demonstrate that spending plans are affordable over a 40-year horizon to both manage and maintain the housing stock in good condition for tenants. It must also meet legislative obligations in respect of landlord responsibilities written into current and forthcoming legislation).</p>
103.	<p>Despite the agreed 7.7% increase in rents for 2024/25 therefore, financial challenges continue for the HRA. Where pressures have been quantified these are built into the model and 40-year plan. However, some risks are not fully quantified and significant uncertainty remains with future cost pressures, for capital investment needs. The extent of these pressures will determine future savings plans within the HRA, which will need to be fully worked up and concluded as part of future years' budgets.</p>
104.	<p>Another significant risk is potential future changes in Central Government rental policy. The current guidance extends as far as 2024/25. This means future income projects are uncertain and means long term planning must be caveated for this.</p>
105.	<p>It has previously been proposed that the HRA balance be increased over time, from the current £2M held in 2023/24, to account for the greater risks and costs pressures faced. This continues to be the aim and hence the business plan assumes an increase to £3.0M in 2024/25, £4.0M in 2025/26, £5.0M in 2026/27 and £7.0M from 2027/28.</p>
DEDICATED SCHOOLS GRANT (DSG) AND SCHOOL BALANCES	
106.	<p>The deficit the authority has within the ring-fenced Dedicated Schools Grant (DSG) must also be highlighted as a further and significant risk. This currently stands at an estimated £8.3M cumulative deficit forecast by the year-end, an improvement of £1.8M from the £10.1M cumulative deficit as of 31 March 2023.</p> <p>This deficit would normally need to be offset against other revenue reserves, effectively further reducing our General Fund reserves. However, Government has provided a statutory override of the normal accounting practice, which means from 2023/24 until 2025/26 a deficit will not be counted against the Council's General Fund reserves. The Council cannot rely on any further extensions of this override and firm plans must be implemented and monitored to eliminate this deficit by, or before, 31 March 2026.</p>

107.	Outside of the DSG deficit, individual schools can also incur a deficit. The total of these deficits amounted to £3.7M according to our latest 2023/24 forecast, which compares with a £4.5M deficit at the last year-end (2022/23).
108.	<p>Schools with a significant deficit (above £0.25M forecast) are working to an agreed deficit recovery plan. The schools are:</p> <ul style="list-style-type: none"> • Hardmoor (deficit £0.71M) • St. Marks (deficit £0.48M) • Valentine Primary (deficit £0.49M) • Mansbridge Primary (deficit £0.35M) • Shirley Warren (deficit £0.36M) • Polygon (deficit £0.36M) <p>Valentine and Shirley Warren currently have an Ofsted grade of Requires Improvement, with a combined deficit totalling £0.85M. Any deficit outstanding at a point a school is required to become an academy falls on the Council, as opposed to remaining with the school. It is therefore important, to reduce risk, that schools have plans to eliminate their deficits.</p> <p>At the time of writing there are two further schools in deficit that are working with the Executive Director for Children and Learning and the finance team to finalise their deficit recovery plans (DRP). These schools are:</p> <ul style="list-style-type: none"> • Compass Alternative Provision (£0.44M deficit) • Townhill Junior (£0.31M deficit) – which has produced a Deficit Recovery Plan, but that needs to be approved by its board of governors.

BUDGET CONSULTATION	
109.	Public consultation was undertaken to seek views on budget proposals for 2024/25. The consultation took place between 23 November 2023 and 17 January 2024.
110.	<p>The proposals consulted on were:</p> <ul style="list-style-type: none"> • Introduce a council tax premium in 2025/26 of 100% for people with second homes. This means doubling the council tax that they will have to pay. * • Introduce a council tax premium in 2024/25 of 100% for people with properties that have remained empty for 12 months or more. Currently we charge a premium of 100% where a property is empty and unfurnished for a period of 2 years or more. ** • Increases in Council rent, • Landlord-controlled heating costs in council owned homes. <p><i>*Due to a typographical error the dates were incorrectly listed as 2024/25 in the questionnaire. The proposal would be implemented from 2025/26.</i></p> <p><i>**Due to a typographical error the dates were incorrectly listed as 2025/26 in the questionnaire. The proposal would be implemented from 2024/25</i></p>
111.	Any that could impact the way that residents or customers review or experience a service of the council were subject to an Equality and Safety Impact Assessment (ESIA). A Cumulative Impact Assessment was also developed to review the overall impact of the savings proposals on groups defined within the Protected Characteristics as set out in the Equality Act 2010, as well as the impacts on

	community safety, poverty and health and wellbeing. These impact assessments were published alongside the public engagement exercise.
112.	<p>The Budget Consultation had 1,221 responses which compares favourably with response levels in recent years. On each of the questions asked there was a clear majority in favour of the proposition.</p> <ul style="list-style-type: none"> • Council Tax premium for second homes was 82% of respondents in favour. • Council Tax premium on empty homes was 86% of respondents in favour. • Council rent increases 65% agreed with the proposal (including 39% of tenants of a council owned home) • On landlord-controlled heating costs 64% agreed (but 14% of tenants in council owned homes with landlord-controlled heating)
113.	A full analysis of the public engagement exercise feedback is included in Members' Room documents.
	EQUALITY AND SAFETY IMPACT ASSESSMENTS
114.	The Equality Duty is a duty on public bodies which came into force on 5 April 2011. The council will have due regard to the impact of its decisions on its equality duties and the need to advance equality of opportunity between people who have protected characteristics and those who do not.
115.	While the Public Sector Equality Duty does not impose a legal requirement to conduct an Equality Impact Assessment, it does require public bodies to show how they considered the Equality Duty and that they have been consciously thinking about the aims of the Equality Duty as part of the process of decision-making. To comply with these requirements as well as the Community Safety legislation, the council has used its existing Impact Assessment framework so that it can ensure the use of a consistent, council wide mechanism to evidence how decision making took into account equality and safety considerations. In addition, the assessments take into account the impact on poverty and health and wellbeing.
116.	Individual Equality and Safety Impact Assessments (ESIAs) have been completed for those proposals contained within this report and as detailed in the report that they identified require such an assessment, as they could have an impact on a particular group or individuals. The final individual ESIAs are available in Members' Room documents.
117.	The individual ESIAs have been analysed to consider the cumulative impacts the budget proposals may have on particular groups and the mitigating actions that could be considered. In order to give the right perspective to the budget proposals, the Cumulative Impact Assessment has to be considered in light of the available information on the city's profile, service user and non-user information and staffing profiles as well as the proportion of the council's budget that is currently spent on targeted groups or communities. The Cumulative Impact Assessment is attached at Appendix 13.

	<u>SECTION 25 STATEMENTS IN ACCORDANCE WITH THE LOCAL GOVERNMENT ACT 2003 – ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES</u>
118.	The Chief Financial Officer is required to make a statement on the adequacy of reserves and the robustness of the budget. This is a statutory duty under Section 25 of the 2003 Local Government Act. An authority is required to consider their Chief Financial Officer's report when setting the level of Council Tax.
	Robustness of Estimates
119.	<p>The council is in a very challenging financial position and without government support in the form of a capitalisation direction the council would be in a section 114 position. The minded to letter from government allows the council to set a budget for 2024/25, a direction will not be issued until we have satisfied both conditions.</p> <p>Over the next few months some very difficult decisions need to be taken and pace in the transformation agenda needs to be applied to ensure we are closing the financial gap as we go through the year, and can set a balanced budget for 2025/26.</p> <p>The current year has been very financially challenging, which provides the context for setting the 2024/25 budget. The budget pressures have been significant, in terms of demand and the cost of providing care across adults and children social care, Home to School Transport and homelessness in particular.</p>
120.	<p>A very important influence on the size of the financial gap and the budget for 2024/25 was the reliance on a £20.6M drawdown from reserves to balance in 2023/24. Funding ongoing expenditure from one off sources of funding creates a structural deficit in the budget where the council is spending more than the income it receives. This position is unsustainable and has reduced reserves to a below minimum level.</p> <p>This has required the council to seek support from central government in the form of an exceptional financial support capitalisation direction. This direction is not a solution, only a combination of a reduction in expenditure and an increase in income will create a sustainable budget and consequently a sustainable organisation.</p> <p>The drawdown on this capitalisation direction needs to be kept to a minimum via careful management of the council's financial position, using transformation as well as strong budgetary control by budget holders. In order to ensure budget holders are aware of their responsibilities an accountability statement has been introduced and a budget review panel will be put in place as per paragraph 66. The new cash limits for 2024/25 identified in this report will need to be adhered to, this will ensure the council is balanced at the end of the year. Once the transformation plans have been drawn up addressing demand management, alongside further efficiency proposals new cash limits for the medium term will be established and from this point any pressures identified will require an offsetting savings plan to ensure we are adhering to the previously agreed financial framework.</p> <p>The estimates contained within the report have taken account of all known pressures to ensure we have right sized the budget for the current operations and the savings proposals have been peer challenged by finance, project management office and between executive directors. Only proposals with a high</p>

	<p>confidence rating, and either a delivery plan in place or already delivered have been included in the budget. This is to ensure we deliver a high percentage of the savings planned and the budget is robust, as we cannot continue to overspend in the way the organisation has been.</p> <p>The organisation will need to utilise capitalisation direction to fund one off expenditure and projects that will save money or generate income going forward and ensure we have transformed services to deliver reduced demand and improved outcomes for residents in a cost-effective manner, right sizing the organisation to the resources available.</p> <p>I can confirm that the budget has been set on reasonable assumptions as set out in Appendix 1. The budget also considers all material, financial and business issues known at the time of preparation.</p> <p>All in year pressures in 2023/24 have been reviewed to consider any that are ongoing and therefore need to be considered as part of the 2024/25 budget setting process.</p> <p>Failure to contain expenditure within the estimates set out in this report, has a high probability of resulting in a section 114 notice for the council. This has been avoided this year by the capitalisation direction.</p>
	<p>Adequacy of Reserves</p>
<p>121.</p>	<p>In addition to the ongoing impact from the highlighted above, coupled with the expected further use of reserves to address in-year overspending there are several risks that need to be considered when assessing the level of reserves. These are detailed below:</p> <ul style="list-style-type: none"> • The potential for the council to overspend its resources through demand pressures in social care, and education, despite a capitalisation direction being in place. • The reliance on delivering savings to achieve a balanced budget. The savings for 2024/25 included in this draft budget are £22.7M, which represents a significant total (9.5%) out of the net budget of £239.2M. • The risk of the council needing to drawdown on the capitalisation direction utilising borrowing to pay for the expenditure will result in an additional 1% interest charge being added to future borrowing. • The local government finance settlement from government was for one year only. Uncertainty with government funding remains an issue for 2025/26 onwards. This is coupled with a potential for changing priorities under a new government (of whatever political persuasion). This will also include any reviews of local government funding and distribution. • There is also a potential risk of a loss of the business rate growth to the council from any future reforms to the Business Rate Retention Scheme. Currently this provides the Council with a 49% share of local business rates. Any update of the scheme is likely to mean a 'reset' of baselines used to calculate the growth retained locally for business rates, with the amount of growth therefore at risk depending on the detail of any Government proposals. The local growth in business rates is worth £8.5M to the Council's budget in 2024/25. • Business rates are also inherently unpredictable, meaning the Council must budget prudently allowing for uncertainty and volatility with funding in future as this funding stream is linked to local economic strength and is not reflective of the demands faced by the Council for service provision.

	<ul style="list-style-type: none"> • Pay inflation remains a risk, with the national pay settlement for local council staff for 2023 adding around 5.6% to our pay bill. The proposed budget for 2024/25 makes provision of around 3% for a pay increase. An additional 1% would add £1.3M to the requirement. There is no provision in reserves for this risk therefore any sum beyond that will mean the council will have to find additional savings. • The council has had a policy of only increasing non-pay budgets where they relate to external contracts, but even allowing for that 2024/25 has seen an increase of £6.5M for contract related budgets. An additional 1% on these contracts will result in an additional pressure of £1.0M, there is no provision for this in reserves. • Any further volatility with energy markets and any impact increasing the costs of energy. A 1% increase means £0.05M. • Further work will be ongoing to address the equal pay matter and as we go through the financial year this liability will become more certain both in terms of timing and amount. This will lead to the requirement for a provision or reserve to be created.
	<p>DSG and School Balances</p>
<p>122.</p>	<p>The current forecast deficit with the DSG stands at £8.3M, a reduction of £1.8M compared to the position reported for 2022/23. This will fall on the authority to cover from 1 April 2026 unless the deficit is resolved by then. There is a risk that without clear plans to ensure the council has removed this potential pressure prior to the statutory override being removed this will become a significant pressure in 2026/27.</p> <p>The schools' balances are in a positive position however there is a cumulative deficit of £3.7M from 14 schools (2 with no agreed school deficit recovery plan), and this represents a decrease from the 2023/24 position of £4.5M deficit. Should schools with a deficit be forced to become an Academy this deficit is transferred to the council. Further action is therefore needed to turn around this trend of increasing deficits and the two remaining schools without an agreed plan must rapidly resolve this situation.</p>
<p>123.</p>	<p>When confronted by financial risk, the S151 Officer must evaluate the available resources at the Council's disposal to mitigate risks. To this end, the resources available for 2024/25 under the proposed budget are:</p> <ul style="list-style-type: none"> • A forecast available balance within the General Fund as at the end of 2024/25 of £12.0M • A forecast uncommitted balance in the Medium-Term Financial Risk (MTFR) Reserve which is forecast will be £1.7M at April 2024 <p>Reserves are inadequate going into next financial year, having been depleted. Although there are some modest contributions planned for 2024/25 into reserves, it is important that the council continue the strategy set in July of allocating one off gains into reserves and continue to build in reasonable replenishment to its plans as well as minimising the need for reserves by:</p> <ul style="list-style-type: none"> • ensuring risks are managed via mitigations and are taken into account when forming business plans and cases. • having budget plans that account for any foreseeable pressures and are owned and understood by the budget holder. <p>Additional work will be needed during 2024/25 and onwards to find ways to strengthen reserves, in future iterations of the MTFs, and move to a position</p>

	where reserves are adequate both for risks faced and the capacity needed to invest in services.
	Housing Revenue Account (HRA) (considered at Full Council 21 February 2024)
124.	<p>Although the HRA budget setting report was considered at 21 February 2024 meeting it still forms a significant part of the council's financial plans hence the need to comment on the adequacy and robustness as part of these statements. HRA income matches expenditure for 2024/25. The HRA must also plan long term, due to the long-term nature of the investment required for good, well maintained housing stock. Over that longer term, there remains a number of uncertain liabilities that are hard to quantify and that, coupled with rising costs and interest rates, is likely to prove a significant challenge in future years.</p> <p>A significant risk to the long-term plan is the risk of overall capital investment requirement significantly increasing over a prolonged period. The impact of this could have a significant adverse impact on HRA balances as property costs would begin to exceed rental income.</p> <p>Difficult decisions are therefore likely to lie ahead on investment with capital resources, to maintain financial stability in the long term.</p> <p>Because of the risks, I consider it essential that the HRA business plan includes increasing the HRA balance, and the plan assumes an increase to £3.0M in 2024/25, £4.0M in 2025/26, £5.0M in 2026/27 and £7.0M from 2027/28.</p>
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
125.	The capital and revenue implications are fully detailed within the report.
<u>Property/Other</u>	
126.	There are no specific property implications arising from this report.
<u>Staffing Implications</u>	
127.	The proposed savings contained within this report do have implications on the number of full-time equivalent posts within the council. Table 10 below details the overall impact.

128. **Table 10 –The estimated reduction in workforce from the savings proposals**

Directorate	2024/25		2025/26		2026/27		2027/28	
	Headcount	FTE Posts	Headcount	FTE Posts	Headcount	FTE Posts	Headcount	FTE Posts
Children & Learning	21	17	21	17	21	17	21	17
Corporate Services	32	42	32	42	34	44	34	44
Place	6	28	7	29	7	29	7	29
Strategy & Performance and CEO	5	4	5	4	5	4	5	4
Wellbeing & Housing	60	47	60	47	60	47	60	37
Total impact of proposals	124	139	125	139	127	141	127	141
Less: reductions already made in 2023/24	(68)	(105)	(68)	(105)	(68)	(105)	(68)	(105)
Impact of proposals in future years	56	34	57	34	59	36	59	36

129. In table 10 FTE posts includes vacant posts, however these are excluded from the reductions in headcount.

There are other service redesign proposals in progress that may have workforce implications. It is not possible to say at this stage what the change will be. Any staffing implications will be reported at the appropriate time.

Several measures will be used to manage any workforce reductions arising from current and future savings proposals, including redeployment. We will seek to keep headcount reductions at a minimum.

LEGAL IMPLICATIONS

130. It is important that Members are fully aware of the full legal implications of the entire budget and council tax making process when they consider any aspect of setting the council’s Budget. Formal and full advice to all Members of the council protects Members, both in their official and personal capacity, as well as the council. If Members have received the appropriate professional legal and financial advice and act reasonably, generally the courts will not interfere in their decisions.

131. The first and overriding legal duty on Members is their fiduciary duty to weigh the needs of service users against the interests of local taxpayers. In planning the budget, Members are under a fiduciary duty to act prudently, responsibly, in a business-like manner and in their view of what constitutes the best interests of the general body of local taxpayers. In deciding upon expenditure, the council must fairly hold a balance between recipients of the benefits of services provided by the council and its local taxpayers. Members should note that their fiduciary duty includes consideration of future local taxpayers as well as present local taxpayers.

132. It is appropriate for Members to consider their own position as some Members may have expressed support publicly for policies that are not policies of the

	council. Political documents do not represent a legal commitment on behalf of the council. To treat any political document as a legal commitment by the council would be illegal. Where there is a valid choice before Members, then, at that stage and only at that stage, Members may take political documents into account.
133.	The legal significance of the Annual Budget derives from the council's duty under the Local Government Finance Act 1992 (the 1992 Act) to set a balanced budget. Failure to make a lawful Council Tax on or before 11 March 2024 could have serious financial results for the council and make the council vulnerable to an Order from the Courts requiring it to make a council tax. Information must be published and included in the council tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
134.	There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
135.	Under Section 114 (2) and 114 (3) of the Local Government Finance Act 1988, the Chief Financial Officer is required to make a report, if it appears to him/her that a decision or course of action the council or an officer has agreed or is about to make is unlawful, or that expenditure is likely to exceed resources available.
136.	Section 25 of the Local Government Act 2003 imposes a specific duty on the CFO (Section 151 Officer) to formally report to council at the time the budget is considered and the council tax is set, on the robustness of the budget estimates and the adequacy of financial reserves. This statement by the S151 officer is included alongside the budget and council tax setting report to both Cabinet and full Council.
137.	Of particular importance to the council tax setting process and budget meeting of the full Council is the council's Budget and Policy Framework Procedure Rules set out in Part 4 of the City Council's Constitution. These provide a legal framework for the decision making process whereby the budget of the city council is determined, and the council tax is set. In addition, Members need to be aware that these rules provide a route whereby the Leader may require the full council to reconsider their position if they do not accept the Executive's recommended budget without amendment.
138.	Further detailed legal considerations relating to the setting of a lawful budget are set out appendix 14, which Members are directed to have regard to in reaching their decision.
139.	Unless otherwise stated the proposals within this report are authorised by virtue of S.1 Localism Act 2011 or the relevant statutory power relating to the function referred to within the budget proposal.
<u>Other Legal Implications:</u>	
140.	The financial forecasts contained in this report have been prepared and are submitted as part of the budget process set out in the council's Constitution. As part of the review process by the Executive Management Team, the proposals contained in this report have been checked from a legal viewpoint.

141. Local authorities have a duty under the Human Rights Act 1998, when carrying out any function, not to act incompatibly with rights under the European Convention for the Protection of Fundamental Rights and Freedoms. In particular Article 2 the right to life shall be protected in law, Article 8, the right to respect for private and family life and Article 25 the rights of elderly to lead a life of dignity and independence and to participate in social and cultural life.

In reaching a decision on the proposals contained in this report the Council must have regard to the provisions of the Equality Act 2010, in particular s.149, the Public sector equality duty.

The duty provides that:

(1) 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.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;

(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—

(a) tackle prejudice, and

(b) promote understanding.

The relevant protected characteristics are—

- age;
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

	Details of how the council has approached and considered its duty under to Equalities Act 2010 are set out in the accompanying EISAs which Members must have regard to in reaching their decision.
RISK MANAGEMENT IMPLICATIONS	
142.	The council maintains a financial risk register which details the key financial risks that face the council at a given point in time. This is updated on a quarterly basis, with the last update included as appendix to the Revenue Financial Monitoring Report to Cabinet on 20 February 2024.
143.	Details of the risk assessment of the budget are given with the Chief Financial Officer's statement on the robustness of the budget estimates at paragraphs 118 to 124.
POLICY FRAMEWORK IMPLICATIONS	
144.	The Medium Term Financial Strategy and the Budget are key parts of the Policy Framework of the Council and a budget and council tax for 2024/25 must be proposed by the Cabinet for consideration by the full Council under the Constitution.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Medium Term Financial Strategy 2024/25 to 2027/28
2.	2024/25 Net revenue Expenditure Budget Adjustments by Service Activity
3.	Budget Pressures
4.	New Commitments
5.	Savings
6.	Business Planning Framework
7.	Procurement Pipeline 2024 - 2029
8.	Highways and Associated Services Arrangement
9.	2024/25 Council Tax Calculation
10.	2024/25 Council Tax Collection Fund Estimates
11.	Government Grants
12.	Summary of Fees and Charges Changes 2024/25
13.	Budget March 2024 - Cumulative Impact Assessment
14.	Statutory Power to Undertake Proposals in the Report
Documents In Members' Rooms	
1.	Schedule of Fees and Charges
2.	Budget 2024/25 Consultation Report

3.	Equality and Safety Impact Assessments (ESIAs)	
4.	Savings - summary sheets	
Equality Impact Assessment		
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.		Yes
Data Protection Impact Assessment		
Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.		Yes
Other Background Documents		
Other Background documents available for inspection at:		
Title of Background Paper(s)		Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.		
2.		