

COUNCIL CABINET
15 February 2023

Minute Extract

Budget and Policy Framework

178/22 Medium Term Financial Plan 2023/24 – 2025/26 (Revenue Budget, Capital Budget, Dedicated Schools Grant, Reserves and Capital Strategy)

The Council Cabinet considered a report which outlined the Council's budget proposals for the period 2023/24 to 2025/26 to recommend to Council.

The budget included estimates of future demand and economic pressures as the Council plans for the City during the Cost-of-Living crisis whilst shaping the financial framework for future service delivery. The setting of the budget had been particularly challenging due to increased demand in the Council's statutory services and increased inflationary costs. The national and local context of the Medium-Term Financial Plan - MTFP was set out in the Medium-Term Financial Plan update and consultation report approved by Council Cabinet on the 21 December 2022.

The 2023/24 position had become considerably more challenging, not only due to the continuing trend of costs and demands outstripping national and local funding increases for local government, but this was exacerbated by abnormally high inflation and the impact of the associated cost of living crisis on demands for services. The Chancellor's Autumn Statement announced resources that partially improved the position but still left a significant increase in the projected budget gap before savings, review of pressures and other mitigations. The combined effect was a balanced position in 2023/24 and a budget shortfall of £17.155m to 2025/26.

The MTFP for 2023/24 to 2025/26 was being managed within extremely challenging circumstances. It had been necessary to plan for unprecedented reductions in the Council's spend in a short period of time due to these emerging challenges.

The key objectives of the report were:

- To ensure that the Council was financially resilient, stable, and sustainable in the short term and to highlight medium term challenges to financial sustainability
- To ensure that effective financial planning contributes to the delivery of the Council Plan

The MTFP sets out the Council's approach to the prudent management of our finances against a reducing reliance on central government funding and increased reliance of local funding sources from council tax and business rates.

Revenue budget:

The report outlined proposals to recommend to Cabinet a net budget requirement of £284.106m for 2023/24 and outlined further indicative budget proposals for 2024/25 and 2025/26.

It included a total savings requirement of (£19.929m), these savings total (£16.196m) in 2023/24 and a further (£3.561m) in 2024/25 and (£0.212m) in 2025/26 to address the impact of demand pressures, rising inflationary costs, maintaining priority services, and investing in the Derby Council Plan.

The identified budget gaps in 2024/25 and 2025/26 would require further savings, income, and transformation proposals to address. The budget gaps included planned contributions to reserves to maintain the financial resilience and sustainability of the Council outlined in detail in section 7 of the report.

Capital budget:

The report sets out the 2023/24 to 2025/26 capital programme to recommend to Council. The main headings of the £468.2m programme (including HRA) over the next three years are and were outlined in detail at Appendix 13 of the report.

The programme included slippage from the 2022/23 approved Capital Programme. This had been reported in the Qtr.3 Revenue Monitoring included on this agenda. The capital programme outlined assumptions made on future year's government allocations which were still to be confirmed.

The report contained a Capital Strategy that gave a high-level overview of how capital expenditure, capital financing and treasury management activity contributed to the provision of local public services along with an overview of how associated risk was managed and the implications for future financial sustainability as detailed in Appendix 17 of the report.

Reserves:

The report detailed an assessment of the adequacy of reserves which were required as part of the budget process. These demonstrated that the Council was able to set a balanced budget for 2023/24 and to plan its finances on a sustainable basis although this was not without some risk.

Prior to Council Cabinet recommending to Council the Budget Requirement to set the Council Tax it was required to consider the Section 25 report from the Section 151 officer (attached at Appendix 7 to the report). This detailed the adequacy of reserves and robustness of the estimates for the period 2023/24 to 2025/26.

Dedicated Schools Grant:

The Dedicated Schools Grant (DSG) for Derby was split into four blocks: Schools Block, Early Years Block, High Needs Block, and a Central School Services Block.

The 2023/24 allocation for the DSG is £307.857m and was made up of four blocks of funding:

- Schools Block £228.227m (includes £1.4m NNDR)
- Central School Services Block £2.654m
- High Needs Block £56.628m (includes additional funding announced Dec 2022)
- Early Years Block £20.348m

In addition to the DSG funding above, mainstream schools would receive an additional grant for 2023 to 2024 – titled - **The Mainstream Schools Additional Grant (MSAG)**.

The indicative allocation for Derby is £8m. School-level allocations of this grant would be published in May 2023. Maintained schools and academies would receive this funding from April 2023.

The government had agreed to the extension of the DSG statutory override for a core of period of 3 years (up to March 2026), affording the short-term financial flexibility needed for authorities as they implement sustainable change, underpinned, and reinforced by the government's longer-term reforms.

The Executive Scrutiny Board noted the report.

Options considered

The Council is required to set a balanced revenue and capital budget for 2023/24 by 11 March 2023.

Decision

1. To note:
 - (a) The outcomes of the Budget Consultation detailed in Appendix 9 of the report, including Notes from the 'Voices in Action' and 'Children in Care' meetings at Appendix 11 of the report and notes from the Meetings including representatives from Business Ratepayers at Appendix 10 of the report.
 - (b) The outcomes of the Executive Scrutiny Board of the 16 January detailed in Appendix 12 of the report and associated recommendations
 - (c) The Section 25 Report of the Section 151 officer on the robustness of estimates and on the adequacy of the reserves 2023/24 to 2025/26 detailed in Appendix 7 of the report.
2. Subject to the above to recommend to Council to approve:

Revenue Budget

- a) The Councils net budget requirement for 2023/24 of £284.106m subject to the finalisation of the Council's Council Tax for 2023/24.
- b) To increase the City Council element of Council Tax by 4.99% as set out in in section 4.6 of the report.
- c) The current list of savings options outlined in Appendix 4 of the report with an associated estimated reduction in posts by 140.11 full time equivalent - fte in 2023/ 24 as outlined in section 4.5 of the report.
- d) The estimated service pressures outlined in Appendix 5 of the report.
- e) The directorates revenue budget plans for 2023/24 to 2025/26 estimates as detailed in Appendix 2 of the report.
- f) The implementation of savings proposals included in Appendix 4 of the report.
- g) The commencement of appropriate procedures to support the specific budget proposals listed in Appendix 4 of the report.

Reserves

- a) The transfer to reserves of £1.061m on a non-recurrent basis to smooth the timing differences for the collection fund as outlined in section 4.3 of the report.
- b) The use of Treasury Management Reserve to the smooth the timing differences within the capital programme as outlined in section 4.3 of the report.
- c) Use of the Cost of Change Reserve to fund one off redundancy and pension costs as outlined in section 7.1.4 of the report.
- d) The Section 25 reserves adequacy report as detailed in Appendix 7 of this report.

Capital

- a) The capital programme for 2023/24 and note the indicative capital programme for 2024/25 and 2025/26 as set out in section 5 of the report. A summary and detail was outlined in Appendix 13 of the report.
- b) The additional borrowing outlined in sections 5.1.15, 5.3.5, and 5.3.7 of the report.
- c) The Summary of Unsupported Borrowing as set out in Appendix 14 of the report.
- d) The MRP policy detailed in Appendix 15 of the report.

- e) The prudential indicators detailed in Appendix 16 of the report.
- f) The Capital Strategy attached at Appendix 17 of the report.

Dedicated Schools Grant

- a) The allocations of the Dedicated Schools Grant as detailed in section 6 of the report.
- b) To increase the Minimum Funding Level per pupil - primary £4,405 per pupil and secondary £5,715 per pupil.
- c) To set the base rate element of the Early Years Funding for 2-year-olds at £5.68 per hour and 3/4-year-olds base rate of £4.70 an increase of 3.52% per hour. The Stand-Alone Maintained Nursery Supplementary rate of £2.05 has increased to reflect the mainstreaming of the Teachers pay and pension into the EYFF (Universal Hours).
- d) The application of the following formula criteria for 2023/24:
 - I. To implement a cap on growth above 3.4% per pupil with no factor being scaled back.
 - II. To set a Minimum Funding Guarantee of 0.5%.
- e) The transfer of £0.055m from the Schools Block to the High Needs Block.
- f) To approve the value of Growth Fund of £0.178m to be retained centrally.

3. To delegate:

- a) Authority to the Section 151 officer to make necessary adjustments in order to retain a balanced budget for 2023/24.
- b) Authority to the Section 151 officer following consultation with the Cabinet Member for Finance Assets and Digital to permit movement of schemes (detailed within the 3-year capital approved programme) within and between financial years to facilitate delivery and agility in Capital Programme delivery subject to affordability. Any changes would be subsequently reported in the quarterly financial monitoring reports to Council Cabinet

4. To approve the proposed changes to the Council Plan.

Reasons

1. The Council is required to set a balanced budget for 2023/24 by 11 March. The report proposed a balanced budget for the financial year 2023/24.
2. The Council, under the Prudential Code, established by the Local Government Act 2003, must demonstrate the affordability of our revenue

budget for the next financial year and two subsequent years, including considering our plans for capital expenditure.

3. The 2023/24 to 2025/26 MTFP budget proposals included within the report provided the resources framework for the delivery of Council priorities.
4. In order to support the decision-making process a review of the existing capital programme had been carried out to ensure that the funds available could be targeted appropriately to meet the Council's priorities.

MINUTES END