

## Minute Extract

**COUNCIL CABINET**  
**14 February 2024**

## Budget and Policy Framework

### 141/23 Medium Term Financial Plan 2024/25 – 2026/27 (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 2024/25 to 2026/27 which were proposed to recommend to Council.

The budget included estimates of future demand and economic pressures as the Council plans for the City whilst shaping the financial framework for future service delivery.

The MTFP was ongoing and continued to be managed within extremely challenging circumstances. Pressures had continued to emerge during the 2023/24 financial year which had resulted in a more challenging position for the 2024/25 budget. The Council had responded to the emerging pressures responsibly and with a degree of success as overspends had been driven down by over £4m from £6.5m reported earlier in the year. The reform of local government funding had long been in the planning but had not yet materialised. This continued uncertainty, coupled with over a decade of funding reductions made delivering a balanced budget over the medium term difficult without impacts on service delivery. The Council continued to lobby Central Government for a fair deal for the sector in the context of the underfunding of Council services, the Local Government Association (LGA) also reported a £6bn funding shortfall for the sector. It was evident that the cocktail of over a decade of cuts to local authority funding, rising demand, particularly in social care (both adults and children's), and the more recent societal and economic shocks of the COVID pandemic, energy and food price increases exacerbated by the war in Ukraine, high interest rates and soaring inflation, had pushed a growing number of local authorities to the edge, in terms of their financial sustainability.

Delivering a balanced budget for next financial year had been a challenge but the Council had delivered on that legal requirement despite having delivered over £226m of savings since 2010. Whilst the Council was not in immediate danger of issuing a S114 notice it would be misleading to suggest that our financial position was anything less than the most challenging it had been. Challenging savings targets existed for years two and three of the strategy.

The national and local context of the Medium-Term Financial Plan - MTFP was set out in the Medium-Term Financial Strategy that was approved at Cabinet 11 October 2023.

The recent Autumn Statement and Provisional Settlement had had little impact on the assumptions in the councils MTFP model. No funding was announced for local authorities beyond the increases that were already expected. There was further reaffirmation about the grant increases for social care in 2024/25 that were announced in the 2022 Autumn Statement. The Chancellor announced that more pressure would be applied to the public sector, with a target of 0.5% annual productivity improvements. The Chancellor had stated he wanted to improve productivity in the public sector and to reduce the size of the civil service. This was against a backdrop of continued austerity and reductions in the workforce.

On the 24 January 2024, the 'Local Government Finance Update' in the House of Commons announced additional funding ringfenced for Social Care of £500m of which the Councils share was estimated to be circa £2.389m, however this was a local estimate based on previous grants and was not confirmed. The announcement stated this funding would enable councils to continue to provide crucial social care services for their local communities, particularly for children. Whilst welcome, this late announcement had meant that the commencement of the consultation process for the Council had launched without considering this funding and at time of writing the report, no final allocation or detail was available. This paper noted the allocation, but it was not yet included in the calculations because of lack of clarity at this stage around the burdens associated with it and the type of funding, for example one off or permanent.

Where possible, councils should invest in areas that helped place children's social care services on a sustainable financial footing, whilst being mindful of the level of adult social care provision. This included investment in expanding family help and targeted early intervention, expanding kinship care, and boosting the number of foster carers. This increase in funding would be reflected in the local authority allocations published at the final Local Government Finance Settlement.

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 contributed to the delivery of the Council Plan.

The MTFP set out the Council's approach to the prudent management of its 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 £309.350m for 2024/25 and outlined further initial indicative budget proposals for the following two years.

The report proposed a savings requirement of (£7.991m) in the medium term. These savings included (£8.121m) in 2024/25 and net reversal of one-off savings of £0.130m in 2025/26 and nil in 2026/27. The savings outlined were to address the impact of demand pressures, rising inflationary costs, maintaining priority services, and investing in the Council Plan.

The identified budget gaps in 2025/26 and 2026/27 would require further savings, income, and transformation proposals to address. The budget proposals included planned contributions to reserves that supported the financial resilience and sustainability of the Council.

### **Capital budget:**

The report set out the 2024/25 to 2026/27 capital programme to recommend to Council. The main headings of the £449.509m programme (including HRA) over the next three years were outlined in detail at Appendix 13 of the report:

The programme included slippage from the 2023/24 approved Capital Programme. This had been reported in the Qtr.3 Revenue Monitoring included on the agenda for this meeting. The capital programme included 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 the associated risk was managed 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 2024/25 and to plan its finances in the short term on a sustainable basis although this was not without some significant risk. Any major unplanned, unbudgeted shock would potentially undermine the financial position of the Council.

Council was required to consider the Section 25 report from the Section 151 officer (attached at Appendix 7 of the report). This detailed the adequacy of reserves and robustness of the estimates for the period 2024/25 to 2026/27.

### **Dedicated Schools Grant:**

On 19 December 2023, the Department for Education (DfE) announced the Dedicated Schools Grant (DSG) for Derby City.

The DSG allocations reflected the change in the process for national non-domestic rates from the 2024/25 financial year when ESFA would pay billing authorities directly for both academy and maintained schools.

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 2024/25 allocation for the DSG is £338.291m and was made up of four blocks of funding:

- Schools Block £245.966m (included the Mainstream Schools Additional Grant and £1.5m NNDR)
- Central School Services Block £2.556m
- High Needs Block £58.596m
- Early Years Block £31.173m (included adjustment for amended week as per the 11 January 2024 announcement)

The Executive Scrutiny Board noted the report.

### **Options considered**

The Council was required to set a balanced revenue and capital budget for 2024/25 by 11 March 2023.

### **Decision**

1. To note:

- (a) The outcomes of the Budget Consultation detailed in Appendix 9, and Notes from the 'Voices in Action' at Appendix 11 and notes from the Meeting including representatives from Business Ratepayers at Appendix 10 of the report.
- (b) The outcomes of the Executive Scrutiny Board of the 15 January, detailed in the minutes Appendix 12 of the report.
- (c) The Section 25 Report of the Section 151 officer on the robustness of estimates and on the adequacy of the reserves 2024/25 to 2026/27 detailed in Appendix 7 of the report.

2. Subject to the above to recommend to Council to approve:

Revenue Budget

- (a) The Council's net budget requirement for 2024/25 of £309.350m.
- (b) Once confirmed, to transfer the new Social Care funding announced on 24 January 2024 to an Earmarked reserve to utilise in line with requirements of the funding.
- (c) The increase the City Council element of Council Tax by 4.99% as set out in in section 4.6 of the report.

- (d) The current list of savings options outlined in Appendix 4 with an associated estimated reduction in posts by 12.40 full time equivalent – FTE outlined in 2024/25 as outlined in section 4.5 of the report.
- (e) The estimated service pressures outlined in Appendix 5 of the report.
- (f) The estimated savings proposals included in Appendix 4 of the report.

#### Reserves

- (a) The transfer to reserves of £4.187m to maintain the adequacy of reserves in the medium-term.
- (b) To repurpose £2.4m of earmarked reserves to support the reserves strategy to replenish General Reserve and Budget Risk.
- (c) The Section 25 reserves adequacy report as detailed in Appendix 7 of the report.

#### Capital and Treasury

- (a) The capital programme for 2024/25 and note the indicative capital programme for 2025/26 and 2026/27 as set out in section 5 of the report. A summary with detail was outlined in Appendix 13 of the report.
- (b) The additional borrowing outlined in section 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.
- (g) The Treasury Management & Investment Strategy 2024/25 attached at Appendix 18 of the report.

#### Dedicated Schools Grant

- (a) The allocations of the Dedicated Schools Grant as detailed in the report.
- (b) To increase the Minimum Funding Level per pupil - primary £4,610 per pupil and secondary £5,995 per pupil.
- (c) To implement a cap on growth above 1.4% per pupil with 50% being scaled back.
- (d) To set a Minimum Funding Guarantee of 0.5%.

- (e) To support the recommendation to Council Cabinet of a base rate element of the Early Years Funding for: -
    - i. 3/4-year-olds base rate of £5.25 an increase of 11.7% per hour.
    - ii. Disadvantage 2-year-olds of £7.71 per hour this was an increase of £2.03 per hour.
    - iii. The Stand-Alone Maintained Nursery Supplementary rate of £3.27 had increased to reflect the mainstreaming of the Teachers pay and pension into the Early Years Funding Formula (Universal Hours).
    - iv. Working parent 2-year-olds of £7.71 per hour
    - v. Working parents 9 months to 2-year-olds of £10.80 per hour
  - (f) To approve the value of Growth Fund of £0.041m 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 2024/25.
  - (b) Authority to the Section 151 officer 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.

## **Reasons**

1. The Council was required to set a balanced budget for 2024/25 by 11 March 2024. The report proposed a balanced budget for the financial year 2024/25.
2. The Council, under the Prudential Code, established by the Local Government Act 2003, must demonstrate the affordability of its revenue budget for the next financial year and two subsequent years, including considering plans for capital expenditure.

**MINUTES END**