



**Worcester**  
CITY COUNCIL

## **COUNCIL**

### **SUPPLEMENTARY AGENDA**

**Date: Tuesday, 20th February, 2024**

**Time: 7.00 pm**

**Venue: The Guildhall, High Street,  
Worcester WR1 2EY**

## COUNCIL

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If you have any queries about this Agenda, require any details of background papers, or wish to discuss the arrangements for public participation please contact **Claire Chaplin, Democratic and Civic Services Manager, Democratic Services, Guildhall, Worcester WR1 2EY. Telephone: 01905 722005 (direct line); E-Mail Address: [committeeadministration@worchester.gov.uk](mailto:committeeadministration@worchester.gov.uk)**

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**Council**  
**Tuesday, 20 February 2024**

**Members of the Council:-**

Chair: The Mayor

Councillor Patricia Agar (LCo)	Councillor Stephen Hodgson (C)
Councillor Basharat Ali (L)	Councillor Jessie Jagger (LD)
Councillor Mel Allcott (LD)	Councillor Matthew Lamb (L)
Councillor Mohammad Altaf (C)	Councillor Neil Laurenson (G)
Councillor Alan Amos (C)	Councillor Karen Lawrance (LD)
Councillor Marjory Bisset (G)	Councillor Karen Lewing (G)
Councillor Owen Cleary (C)	Councillor Sarah Murray (LD)
Councillor Steve Cockeram (G)	Councillor Robyn Norfolk (L)
Councillor Katie Collier (G)	Councillor Tor Pingree (G)
Councillor Zoe Cookson (L)	Councillor Tom Piotrowski (G)
Councillor Hannah Cooper (G)	Councillor Jabbar Riaz (L)
Councillor Andrew Cross (G)	Councillor Elena Round (G)
Councillor Lynn Denham (L)	Councillor Atif Sadiq (L)
Councillor Jill Desayrah (L)	Councillor Sue Smith (L)
Councillor Shafaz Ditta (C)	Councillor James Stanley (C)
Councillor Simon Geraghty (C)	Councillor Louis Stephen (G)
Councillor Adrian Gregson (L)	Councillor Richard Udall (L)
	Councillor Elaine Willmore (L)

C = Conservative      G = Green      L = Labour      LCo = Labour and Co-operative  
LD = Liberal Democrat

You are hereby summoned to attend the meeting of the Worcester City Council to be held at The Guildhall, High Street, Worcester WR1 2EY on Tuesday, 20th February, 2024 at 7.00 pm at which meeting the following business is proposed to be transacted.

**AGENDA**

**Part 1**  
**(ITEMS FOR DISCUSSION AND DECISION IN PUBLIC)**

- 8.1 Referral Report from Policy and Resources Committee 6th February 2024 - Proposed Budget 2024/25 and Medium Term Financial Plan 2024-2029  
Page(s): 1 - 16  
Ward(s): All Wards  
Contact Officer: Shane Flynn, Corporate Director – Finance and Resources  
Tel: 01905 722536

The report on the proposed Budget for 2024/25 and the MTFP 2024-2029 to Policy and Resources Committee at its meeting of 6 February is attached at Annex A.

David Blake  
Managing Director  
Guildhall  
Worcester WR1 2EY  
Date: 16<sup>th</sup> February 2024



**Report to: Policy and Resources Committee, 6<sup>th</sup> February 2024**

**Report of: Corporate Director - Finance and Resources**

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**Subject: PROPOSED BUDGET 2024/25 AND MEDIUM-TERM FINANCIAL PLAN 2024/25 – 2028/29**

## **1. Recommendation**

- 1.1 That the Committee endorses the proposed Budget and Council Tax for 2024/25 and the proposed Medium Term Financial Plan for the next five year period 2024/25 – 2028/29, and recommends them to Full Council on 20 February 2024 including the following resolutions:**
  - a. That the Budget Requirement for Worcester City Council (excluding Parish Precepts) 2024/25 be set at £12.681m;**
  - b. That the Council Tax Requirement for Worcester City Council (excluding Parish Precepts) 2024/25 be set at £7.032m; and**
  - c. That the Band D Council Tax for Worcester City Council (excluding Parish Precepts) be set at £213.08;**
- 1.2 That the Committee confirms, in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 and the Local Authorities (Calculation of Council Tax Base) Regulations 2012, that the Council Tax Base calculation for the year 2024/25 will be 33,002.0 for Worcester City Council, including 3,977.2 for Warndon Parish Council and 2,178.9 for St Peter's Parish Council;**
- 1.3 That the Committee approves the Treasury Management Strategy at Appendix 4 including the MRP policy statement and the prudential indicators set out in the Strategy;**
- 1.4 That the Committee approves the transfer of £0.452m from the risk reserve as detailed elsewhere in the report, to the 2024/25 revenue budget to achieve a balanced budget; and**
- 1.5 That the Committee considers the proposals brought forward by the Policy Committees during January 2024 and the Income Management Sub-Committee of 24 January 2024 and includes any changes approved, in the recommendations to Full Council.**

## **2. Background**

- 2.1 At its meeting of 19 December 2023, the Committee endorsed a high-level medium term forecast to provide the financial framework for the detailed draft budget for 2024/25 and the medium term financial plan (MTFP) for 2024/25 to 2028/29.**

2.2 The key priority for the Council is to set a balanced budget for the next financial year, which is achievable, sustainable, able to withstand financial pressures and can deliver the following outcomes:

- i. a budget for 2024/25, which safeguards Council services through a combination of cost management and income generation to enable the Council to deliver its service requirements in support of the City Plan
- ii. continued investment to deliver the agreed cross-party City Plan objectives
- iii. further investment in the capital infrastructure of the Council to ensure good quality service delivery
- iv. minimal reliance on the use of general fund balances to achieve a balanced budget, with general fund balances maintained at a minimum of £1.1m to meet unforeseen risks
- v. continuous improvement in value for money and customer focus, working with staff and our partners to deliver the best possible outcomes.

In addition, the five-year horizon of the MTFP provides a projection for the Council's finances based on current assumptions and the external financial environment. Although not a balanced budget for each of the future years, it quantifies the size of the financial challenge that the Council faces.

### Key Financial Assumptions

2.3 The preparation of a five-year MTFP, considered by the Committee at its meeting of 19 December, and revised as shown below, includes a number of working assumptions which are based on known and expected changes. These are summarised as follows:

- a. Business rates income – the overall Business Rates income is increased by £43k from the previous MTFP. (section 3.5);
- b. Council Tax Base (dwellings) – an increase of 0.15% in 2024/25 (section 3.5) and growth of 0.5% p.a. thereafter;
- c. Council Tax model increases of 2.99% at Band D equivalent for 2024/25, which is £6.19 per annum and 2.99% per annum thereafter (section 3.5);
- d. An assumed pay award of 6.0% p.a. for 2024/25, 4.0% for 2025/26, 3.0% for 2026/27 and 2.0% for subsequent years and maintaining the adoption of the Real Living Wage (section 2.5);
- e. The annual back-funding charge of £0.3m for the Pension Fund and the pension forward funding rate of 19.1% are unchanged from the assumptions in the previous MTFP (section 2.8);
- f. Selective prices inflation at an average of 6.0% for 2024/25 to reflect contractual commitments and price risk areas;
- g. No additional borrowing until the latter part of 2024/25, which is covered by the existing budget, with most capital spending on the large infrastructure projects funded by grants receivable;
- h. Interest rates receivable budget in 2024/25 of 4.50% in line with advice provided by our treasury advisers;

- i. A continuing investment of £3m in Property Funds at an estimated return of 4.0% generating interest receivable of £120k;
- j. The 2023/24 budget included the allocation £500k of existing overheads against grants received e.g. Future High Streets Fund, Town Investment Plan Fund, UKSPF, and contributions from other capital projects. As several of these projects will be coming to an end in the next 2 years, the budgeted allocation is reduced to £190k for 2024/25 and £100k for 2025/26.

These are summarised in Table 1 below.

**Table 1: Summary of key financial assumptions**

<b>Financial Assumptions</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
Council Tax Base increase / (decrease)	0.15%	0.5%	0.5%	0.5%	0.5%
Council Tax increase	2.99%	2.99%	2.99%	2.99%	2.99%
Interest rates (receivable)	4.50%	3.50%	2.75%	2.50%	2.25%
Salary inflation	6.0%	4.0%	3.0%	2.0%	2.0%
Non-pay inflation (average/selected items)	6.0%	4.0%	3.0%	2.0%	2.0%

- 2.4 A number of proposals contained in the draft budget are subject to further agreement and, in some cases, have not yet been allowed for in budgets. These are set out in the following paragraphs.

#### Pay awards

- 2.5 The pay award for 2023/24 was for an average 6.5% and the budget for 2024/25 assumes a rise of 6% in line with current inflation and the budgeted increase in income. The Council's annual pay statement is provided at **Appendix 5**. This shows that the Council's lowest pay grade is above the Foundation Living Wage benchmark and that the ratio between the lowest full time equivalent earnings and the highest paid salary is 1:5.29. This is a narrowing of the gap from 1:5.55 in 2023/24. The ratio between the median (average) full time equivalent earnings and the highest paid salary is now 1:4.4. This is a narrowing from 1:4.71 since 2023/24.

#### Car Parking income

- 2.6 The car parking tariffs were increased by an average 9% for 2023/24, the first increase for over a decade. Since then, the income has achieved the increased budget, although there has been a small reduction in the last 3 months.

The draft budget for 2024/25 includes an increase in the car parking tariffs by an average 6% amounting to £0.2m. This has been spread evenly across all tariffs with charges rounded to the next appropriate price point. The percentage increase therefore ranges from 5.0% to 6.7%.

- 2.7 The pandemic had a significant effect on the Council's Leisure Service, with the leisure centres closed for some of 2020/21 and with reduced membership during most of 2021/22. The level of income has now largely recovered and the full management fee of £0.508m is due to be received for 2023/24.

However, the leisure operator is incurring significantly higher energy costs and for 2023/24 the Council budgeted a potential contribution towards this of £315k.

Current indications are that this will not all be required so the year-end forecast for 2023/24 and the budget for 2024/25 have been reduced to a potential contribution of £125k.

### Pensions Costs

- 2.8 The latest triennial actuarial valuation was received in 2022 and the next is due in 2025 for the year 2026/27. The budgets for 2024/25 are therefore unchanged at the annual back-funding payment of £0.266m and a forward funding rate of 19.1%.

### Savings Plan

- 2.9 The Council began a new Savings plan during 2023/24 and progress has already been reported to this committee. This has contributed to the reduction of the 2024/25 budget gap from £2.250m as in the MTFP approved by Council in February 2023 to £0.452m in the draft MTFP shown in **Appendix 1**.
- 2.10 The draft MTFP presented in this report suggests that further efficiencies and/or income growth will be needed to achieve a balanced budget in future years.

### County-wide collaboration

- 2.11 The City Council seeks to work closely with neighbouring councils and the County Council where there are benefits to be derived. There are two main areas of focus: collaboration on business rates retention and collaboration on service delivery.
- 2.12 For several years the City Council has been a member of the Worcestershire Business Rates Pool and the benefit to the City Council for 2023/24 is forecast as £0.250m. The Budget for 2024/25 assumes that this arrangement will continue to generate growth income.
- 2.13 The Council also fully participates in the three-council approach to delivering its planning obligations through the South Worcestershire Development Partnership (SWDP). The annual costs of this exercise can vary dependent on the level of work required and in previous years the annual expenditure budget was circa £90k. The 2023/24 MTFP included a one-off additional allowance of £105k. For 2024/25 the budget has reverted back to £97k. However, this remains a risk if additional work proves to be necessary.

### Members' allowances

- 2.14 The Independent Remuneration Panel has reviewed Members allowances and a report of its findings is currently being prepared. A proposal will be presented to Full Council in due course. Sufficient allowance has been made in the budget and MTFP for all options under consideration and budgets will be revised following the decision of Full Council.

### Additional proposals

- 2.15 Subsequent to the meeting of 19 December 2023, the draft budget proposals have been revised in the light of:



- The provisional Local Government Finance Settlement published on 18 December 2023
- Further financial information
- Consultation with the public.

2.16 Proposals brought forward to any of the Council's policy Committees have also been received. These are presented for consideration by this Committee elsewhere on the agenda and include considerations of the financial impact on the budget and MTFP summarised at **Appendix 1**.

### **3. Provisional Financial Settlement**

3.1 The provisional financial settlement confirmed that there are no changes from expected baseline funding allowances for Business Rates. The business rates multipliers will change as follows: small business multiplier will be 49.9p (2023/24 49.9p) and national business multiplier will be 54.6p (2023/24 51.2p). The increase in the national business multiplier is in line with the increase in the CPI inflation index and the freezing of the small business multiplier is due to end on 1 April 2025.

3.2 The settlement statement did not comment on the delayed review of Local Government funding which is due to be carried out in 2024. No agreement has yet been made on how any redistribution of resources resulting from the review and revaluation will be made. Therefore, no assumptions have been made about business rates income growth from 2024/25 onwards. Further considerations in respect of this are covered in the *Risk Implications* section below.

3.3 Awards for New Homes bonus (NHB) finished in 2022/23, including any legacy payments. However, the Government has again extended the scheme for one further year and the Council has received £25k. The Government still intends to issue new proposals for replacing NHB and these are expected during 2024. In the budget statement, the Government stated an intention to maintain funding levels for 2025/26 although no detail was provided.

3.4 Funding Guarantee – this is intended to maintain each council's core spending power for 2024/25 and is to ensure that each Council receives a sum to enable it to continue providing services at a level that the Government has identified as appropriate. It sustains the principle that there is no reduction in core spending power between one financial year and the next. For this council it is worth £1.193m in 2024/25.

3.5 On 24 January 2024 the Secretary of State announced that the Funding Guarantee will be increased to allow for an additional 1% increase in core spending power before allowance is made for Council Tax increases. It is unclear how this increase is calculated and the Council is therefore waiting for information the impact that this will have on the final settlement. The Committee will be advised of this, if announced before the date of the meeting, and the effect will be incorporated into the budget report to Council.

3.6 The 2024/25 settlement allows for a maximum of a 2.99% increase in Council Tax without the requirement to hold a referendum. The proposed budget therefore includes an expected increase of £6.19 for Council Tax in line with this approved allowance. This, taken together with the 0.15% increase in the Council Tax base set by the Committee at its meeting of 19 December 2023, results in an overall increase in Council Tax revenue of £214k over 2023/24.

#### 4. Further financial information

- 4.1 Alongside the consultation and budget-setting processes between October and January, estimates for the year have been subject to further review. There have also been amendments to the Capital Programme. These and the associated Minimum Revenue Provision (MRP) charge are noted in section 6.
- 4.2 The changes set out above are summarised in Table 2 below, showing revisions to the Forecast Net Budget presented to the Committee on 19 December 2023. A full version of the MTFP is provided at **Appendix 1**. A summary of the revenue budgets for the services that fall under the remit of this committee are shown at **Appendix 3**.

**Table 2: Budget changes since 19 December 2023**

Net Budget	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	2028/29 £000
<b>Forecast – Dec 2023</b>	<b>12,607</b>	<b>13,934</b>	<b>15,012</b>	<b>15,694</b>	<b>16,231</b>
Vacancy factor	(25)	(25)	(25)	(25)	(25)
Training	(20)	(21)	(22)	(23)	(23)
External audit fee	50	53	55	57	58
Revenues & Benefits service	157	166	173	177	181
ICT shared service	66	70	73	75	76
Interest received	(150)	(75)	0	0	0
Various small changes	(4)	(4)	(7)	(6)	(4)
<b>Revised Forecast</b>	<b>12,681</b>	<b>14,098</b>	<b>15,259</b>	<b>15,949</b>	<b>16,494</b>

The rationale changes for each of these changes is as follows:

- a. In recent years the total salary budget has been under-spent net of the vacancy factor and it is therefore proposed to increase the vacancy factor budget from £(107)k to £(132k);
- b. Training – in previous years the training budget of £105k has been underspent and a saving of £20k is therefore proposed;
- c. External audit fee – the draft budget already included a cost pressure. However, the latest information received requires an additional £50k pressure bringing the total budget to £197k;
- d. The Savings Plan included an estimated £272k reduction in the cost of the Revenues and Benefits Shared Service following the transfer in-house. In the event the net saving is £115k and a correcting cost pressure of £157k has therefore been added;
- e. ICT shared service – a cost pressure of £66k has arisen in salaries and licence fees;
- f. Interest received – the latest interest rate forecast received from our Treasury advisors and a review of the most recent cashflow forecast provides for a temporary increase of £(150)k in interest received.

- 4.3 The overall impact of these changes and the settlement, taking into account all other matters, is to produce an expected budget deficit of £0.452m, which is to be funded by a transfer from reserves. Any proposals with ongoing revenue impact presented by Committees or received at the meeting, and approved, will need to be included in the figures presented to Council at its meeting of 20 February 2024. Table 3 summarises the financing position and the resulting budget gap, as presented in full in **Appendix 1**.

**Table 3: External financing and resulting budget gap**

<b>Budget Financing</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£000	£000	£000	£000	£000
<b>Forecast – Dec 2023</b>	<b>12,229</b>	<b>12,667</b>	<b>13,035</b>	<b>13,412</b>	<b>13,798</b>
Funding Guarantee	(43)				
Business Rates growth	43				
Other		1	1	1	1
<b>Revised Forecast</b>	<b>12,229</b>	<b>12,668</b>	<b>13,036</b>	<b>13,413</b>	<b>13,799</b>

<b>Net Budget Gap</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£000	£000	£000	£000	£000
<b>Forecast – Dec 2022</b>	<b>378</b>	<b>1,267</b>	<b>1,978</b>	<b>2,282</b>	<b>2,432</b>
<b>Revised Forecast</b>	<b>452</b>	<b>1,431</b>	<b>2,223</b>	<b>2,536</b>	<b>2,695</b>

- 4.4 The changes noted for Budget Financing were advised as part of the Government's Finance Settlement received in December. They are all for one year only but the Government's commitment to the principle of core spending power being maintained should guarantee that this level of funding continues going forward and the MTFP has been prepared on this basis. The Funding Guarantee is currently worth £1.19m having increased by £0.113m for 2024/25. If DHLUC were to freeze the grant at the current level and not maintain the core spending power, the future Budget Gap would be increased as shown in Table 4 below.

**Table 4: Revised MTFP based on no increase in core spending power**

<b>Net Budget Gap</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>
	£000	£000	£000	£000	£000
<b>Revised Forecast above</b>	<b>452</b>	<b>1,431</b>	<b>2,223</b>	<b>2,536</b>	<b>2,695</b>
Funding Guarantee removed		113	226	339	452
<b>Revised Forecast</b>	<b>452</b>	<b>1,544</b>	<b>2,449</b>	<b>2,875</b>	<b>3,047</b>

- 4.5 It is intended to fund the 2024/25 budget gap of £0.452m from the Business Rates Risk Reserve. However, this is only a one-year effect and a budget deficit is still projected from 2024/25 as cost increases will continue to exceed income increases. Therefore, further savings and efficiencies will need to be identified.

## 5. Budget consultation and development

5.1 Opportunities for stakeholders to contribute to the budget-setting process followed the same process as the 2023/24 budget, through three activities:

- public consultation
- all-member presentation in October 2023
- scrutiny of existing budgets in October and December 2023 and formal submissions for budget votes from the Place and Economic Development Committee, the Environment and Communities Committees, and the Health and Wellbeing committee in January 2024.

5.2 Consultation with the public and local businesses was in the form of an online survey, with hard copies available for those who did not have internet access. 1,108 responses were received, along with 7 hard copies. Questions related to areas of spend but also sought views on the relative priority that residents and businesses place on the Council's objectives and on satisfaction with services received.

5.3 A detailed report on the responses received is included elsewhere on the agenda. In respect of questions relating specifically to budget consultation, consultees were asked about the current level of spending on services, and whether this should be revised, and about the level of fees and charges set for specific service provision.

5.4 The top two services with the highest percentage of responses to increase spending were the same as in the 2022 survey, while 'Promoting the city as a place to live and invest in' replaced 'Supporting local businesses and getting people back to work' These are:

- Making Worcester a city where residents and visitors feel safe
- Support for Housing and Homelessness
- Promoting the city as a place to visit and invest in.

5.5 The Council supports delivery of the City Plan objectives through its main General Fund spending but in 2024/25 there are a wide range of additional activities that are supported to achieve the priorities identified in the survey. Some of these are set out in the table below in the order of relative priority that local people have indicated from the survey.

City Plan theme	Spending focus	Proposed spend
Enhancing and sustaining our beautiful city for future generations	<ul style="list-style-type: none"> <li>• Appointment of Biodiversity Officer.</li> <li>• Capital spend on solar panels at St Martin's Gate</li> <li>• Feasibility study into a Worcester Heat Network</li> <li>• Feasibility study for e-charging points in Council car parks</li> <li>• Completion of public realm improvements under the Future High Streets Fund</li> <li>• Progress towards replacing cremators at the Crematorium with modern, low emissions alternatives.</li> <li>• UKSPF funded Natural Networks project providing grant support for community</li> </ul>	£40k Up to £470 £5k cont. to £350k project  £58k  Balance of £1.472m  Up to £250k  £70,000
A Healthy and Active City	<ul style="list-style-type: none"> <li>• Completion of New pedestrian bridge at Gulehvelt Park to increase use of the riverside walkways</li> <li>• Implementation of the newly-approved Play Plan for the City</li> </ul>	£663k contribution  Up to £400k

	<ul style="list-style-type: none"> <li>• Creation of an all-weather pitch at Perdiswell</li> <li>• Development of Active Travel corridors to increase alternative travel opportunities</li> </ul>	<p>£200k contribution</p> <p>Up to £600k</p>
A Prosperous City	<ul style="list-style-type: none"> <li>• UKSPF funding to support People and Skills themed activities</li> <li>• Completion of improvement of vacant premises through the Future High Streets Fund</li> <li>• Capital development of community centres and Building Blocks to increase delivery of training for vocational skills</li> <li>• UKSPF funding to support Local Business</li> <li>• Towns Fund Shrub Hill redevelopment</li> </ul>	<p>£690k</p> <p>Balance of £269k</p> <p>Up to £1.9m</p> <p>£593k</p> <p>Up to £2,7m cont. to £6.48m project</p>
A heritage City for the 21 <sup>st</sup> Century	<ul style="list-style-type: none"> <li>• Renewal of the Angel Place area of the City through development of a new Arts Centre</li> <li>• New Worcester Soldier gallery at Commandery and new gallery at MAG</li> <li>• Towns Fund Heritage and Riverside projects</li> <li>• Arts Council funded revamp of the Museum and Art Gallery</li> <li>• Worcestershire Heritage, Art &amp; Museum charity, contribution to enhance the city's art collection</li> </ul>	<p>Up to £8.9m</p> <p>£200k</p> <p>Up to £259</p> <p>£50k</p> <p>£80k</p>
Stronger and Connected Communities	<ul style="list-style-type: none"> <li>• Transfer of UKSPF funds to support community support through DWAS</li> <li>• Maintain contributions to Worcester Foodbank and numerous grants to support local organisations</li> <li>• Development of Bike Share scheme to improve access to facilities across the city</li> <li>• Implementation of the Affordable Housing Action Plan.</li> <li>• City of Sanctuary scheme</li> <li>• UKSPF funding for Asset Based Community Development schemes and Community Grants</li> </ul>	<p>£100k</p> <p>£630k</p> <p>Up to £700k</p> <p>£70k</p> <p>£20k</p> <p>£130k</p>

- 5.6 In particular, during 2023/24 the Council approved a *Housing Enabling Strategy* to provide a strategic vision, methodology and increased focus on the affordable housing provision within Worcester. It is a recognition that a co-ordinated and robust approach is required to meet the challenges posed and to promote a co-ordinated and effective response to maximise the opportunities to delivery more affordable housing in the city. A dedicated officer post has been established to drive this strategy forward.
- 5.7 Similarly, in the current financial year the Council produced a far-reaching *Worcester Play Plan* which set out an approach to delivering new play opportunities throughout the city and maintaining and progressing existing sites. The Place and Economic Development Committee approved in principle the use of significant sums for the Community Infrastructure Levy and Section 106 developer contributions to support delivery in 2024/25 and future years.
- 5.8 To support delivery of these and other key services for local communities, a schedule of revised fees and charges was considered and agreed by the Income Management Sub-committee at its meeting of 24 January, along with financial implications. The majority of charges were increased in line with inflation with some additional increases to reflect revised costs, changes in the market-place and alignment with competitors. Car parking charges are proposed to increase by an average 6%. The report of the Income Management Sub-committee is presented elsewhere on the agenda for recommendation to Full Council as part of the budget-setting process.

The proposed increases have been incorporated into the MTFP along with all other proposed changes in fees and charges, as per the process used for previous budgets.

- 5.9 During January, the Environment Committee, Communities Committee, Place and Economic Development Committee and the Policy and Resources Committee considered potential changes to the budget estimates previously reviewed by each committee at its meeting in November. Proposals received from the other policy committees are presented elsewhere on the agenda for consideration.
- 5.10 In addition to the matters taken into consideration in setting the budget, a number of future pressures have been identified. While these will have financial implications, the future impact on revenue budgets has yet to be calculated sufficiently for them to be taken into account in the MTFP. These are as follows:
- Leisure contract extension – the existing leisure contract started in January 2016 and will expire in December 2025. A contract extension is being discussed and we await a proposal from the operator. However, there is a risk that the current management fee of £520k p.a. may not continue to be achieved.
  - Crematorium refurbishment – plans are being drawn up for a major refurbishment of the crematorium. The cost is estimated at £3.5m including non-recoverable VAT. The site will be closed for the period of the work and there will therefore be a significant loss of income in that financial year. This loss can be mitigated by transferring business to nearby facilities temporarily and continuing to provide some functions at the site. Further estimates will be provided at future meetings.
  - Food waste collection – the Government is still committed to introducing the collection of food waste from both domestic and trade customers. The deadline for starting the service has yet to be confirmed but is anticipated to be 2025. The MTFP includes capital of £1m for the purchase of vehicles and bins, with the assumption that this will be funded by a Government grant. It does not include any revenue related costs e.g. personnel or disposal costs.
  - Scala Arts Centre running costs – the centre is due to undergo a major refurbishment as part of the Future High Streets funding. Once open there will be running costs for staff, utilities, business rates etc. and the level of income, particularly at the start, may be insufficient to cover all the costs. In that event, the Council may need to provide a subsidy until the revenue streams are fully developed.
  - Ash die back contingency – the Council has recognised that it needs to address the issue of Ash die back which may result in a significant number of trees needing treatment or complete removal to prevent them becoming a hazard. An estimate of the cost of this work has been developed and is presented elsewhere on the agenda. In the first instance this will require a withdrawal from reserves but is likely to have an impact on revenue budgets over the lifetime of the MTFP.
  - Air Quality action plan - in 2019 the Council implemented a Worcester City Air Quality Management Area. In response to this, the Council has a duty to develop and submit an Air Quality Action Plan (AQAP) to DEFRA within a

'reasonable timescale'. A timetable for publication of the AQAP in 2024/25 was approved by Environment Committee on 7 November 2023. It is anticipated that there may be required spending arising from the plan in that and/or subsequent financial years but the scale of that potential requirement is not yet known.

- 5.11 Reports on the financial implications of each of these developments will be brought forward to Committee in due course.

## 6. Capital Programme 2023/24 to 2028/29

- 6.1 An overall capital programme of £37.178m is proposed and is shown in **Appendix 2**. This compares to a programme of £42.119m previously proposed for 2023/24 to 2027/28.
- 6.2 The programme includes items that have been reported at previous committees, subject to changes set out in section 2 of this report which are yet to be incorporated pending further decisions. Major additions to the capital programme for 2024/25 are shown in Table 5.

**Table 5: additions to five year capital programme**

	2024/25		Expected Total 2023/24 to 2027/28
	Previous programme Feb 2023	Revised programme Feb 2024	
	£000	£000	£000
Future High Streets Fund	293	9,984	9,984
Towns Fund	4,475	5,519	10,480
Arches project	0	944	944
Vehicle Replacement Programme	685	1,017	4,446

- 6.3 In addition, an allowance has been made in the capital programme for the development of facilities for food waste collection in 2024/25. This is a requirement under the Environment Act 2021 and has been allowed for based on estimates made by the relevant officers. The Department for the Environment, Food and Rural Affairs (DeFRA) has received £0.6bn additional funding to implement this proposal and it is assumed therefore that the scheme, estimated at £1m, will be funded by capital grant. The latest indication from DeFRA is that a grant of £0.7m will be available, although this is under review and may change.
- 6.4 The capital programme is funded from a mixture of capital grants, capital receipts, use of reserves including S106 reserves, direct revenue funding or borrowing. In line with the Capital and Asset Management Framework, borrowing is not taken out unless other forms of funding are not available. Internal borrowing will be used in preference to external borrowing while the value of income from interest in investments remains below the cost of borrowing and there are sufficient reserves to enable funds to be released for capital purposes. Capital receipts are only recognised once they have been received and future receipts could therefore reduce the need for external borrowing. The proposed funding for the capital programme is shown in Table 6. The full programme is provided at **Appendix 2**.

**Table 6: Proposed capital funding 2024/25 to 2028/29**

<b>Financing Source</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2024-29</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
External Grants	18,513	4,764	688	688	688	25,340
S106 Contributions	7	220				227
Earmarked Reserves	466	664				1,130
Capital Receipts	923	250	250	250	250	1,923
Borrowing	4,878	1,409	922	424	924	8,558
<b>TOTAL</b>	<b>24,787</b>	<b>7,308</b>	<b>1,860</b>	<b>1,361</b>	<b>1,862</b>	<b>37,178</b>

- 6.5 The revenue implications of the capital financing proposals are reported to the Committee in the Treasury Management Strategy Statement 2024/25, which is included as **Appendix 4** to this report. These implications have been incorporated into the MTFP, including the changes noted above. The Treasury Management Strategy Statement also provides indicators to demonstrate that the Council is not borrowing in excess of its needs and, through a 'liability benchmark', is not borrowing where other cash resources are available.
- 6.6 The Capital and Investment strategies adopted by the Council in 2019 and updated in March 2023 are in line with the regulations and the Prudential Code on Capital Accounting published by CIPFA in February 2018. These will be updated for 2024/25 and detail the strategic approach to borrowing and investment of the Council in the coming year and over the lifetime of the MTFP. They will be presented to this committee at the meeting in March.
- 7. Impact on reserves**
- 7.1 The Council's policy is to maintain a minimum of £1.1m in General reserves, above and beyond any service-specific or risks reserves that are required for a specified purpose. The overarching principle of the budget-setting process is that this level of reserves should be maintained over the lifetime of the MTFP.
- 7.2 The Council also holds a number of Risk Reserves to mitigate the impact of an unexpected financial downturn or increased unplanned spend arising from circumstances outside of the Council's control. At 31 March 2024 these reserves are forecast to have a balance of £2.372m. However, the impact of the transfer resulting from this budget will reduce the balance to £1.920m.
- 7.3 As noted in section 4 above, the budget deficits projected for the years 2025/26 onwards mean that there will be a reliance on funding from reserves to meet a balanced budget. The Council will therefore need to increase its income and/or generate cost reductions to enable a balanced budget to be set for 2025/26 onwards. These changes may be derived through various means including developing existing income streams, generating new sources of income and reducing



the cost base through more efficient ways of operating, or from additional Government funding.

### Budget Proposals

- 7.4 The policy committees have reviewed various new budget proposals. Those that are considered appropriate have been forwarded to this Committee for further consideration and are presented elsewhere on the agenda.
- 7.5 The Committee is asked to review the various proposals and determine which should be recommended to Council for approval in the MTFP 2024-2029, and identify the relevant reserves, if any, to be used.
- 7.6 The level of projected earmarked reserves is shown in Table 7

**Table 7: Projected earmarked reserves at 31 March 2024**

Reserve	Balance at 31 March 2023 £000's	Transfer to Reserves £000's	Transfer from Reserves £000's	Reclassificati ons between Reserves £000's	Forecast Balance at 31 March 2024 £000's	Uncommitted Reserves £000's
TRANSFORMATION FUND	83	0	(76)	(7)	0	0
INCOME GENERATION FUND	209	0	(38)	(161)	10	0
SERVICE SPECIFIC EARMARKED RESERVE	3,962	1,022	(2,179)	(60)	2,746	0
SMALL PROJECTS DEVELOPMENT FUND	62	0	(20)	(42)	0	0
CITY PLAN FUND	2,251	0	(308)	(84)	1,859	0
RISKS FUND	1,888	1,170	(1,041)	354	2,372	2,159
CITY DELIVERY FUND	165	0	(128)	0	37	0
MUSEUM RESERVE	323	0	(21)	0	302	0
<b>TOTAL RESERVES</b>	<b>8,943</b>	<b>2,192</b>	<b>(3,810)</b>	<b>0</b>	<b>7,326</b>	<b>2,159</b>

## **8. Preferred Option**

- 8.1 That the Committee recommends to Council the budget proposals set out in this report.

## **9. Alternative Options Considered**

- 9.1 Alternative budget proposals have been considered by the policy committees of the Council and are presented to the Committee for consideration elsewhere on the agenda.

## **10. Implications**

### 10.1 Financial and Budgetary Implications

As detailed in **Appendix 1**, the draft budget proposes a transfer from earmarked reserves of £0.452k which will result in a balanced budget for 2024/25. It is the

opinion of the Section 151 Officer that the estimates included in this report are robust and that there are sufficient reserves to meet those estimates and foreseeable variations for 2024/25. However there are not sufficient reserves to meet anticipate deficits in future years and additional measures are required to ensure that balanced budgets can be set from 2025/26 onwards.

## 10.2 Legal and Governance Implications

There are no legal and governance implications arising directly from this report.

## 10.3 Risk Implications

Achievement of the proposed budget is dependent on the relevant assumptions proving accurate and no unexpected changes in anticipated funding levels. In the opinion of the Section 151 officer the budget estimates are considered to be robust and, in the event that unforeseen incidents occur which require additional resources, there remain sufficient general reserves to meet these requirements.

In terms of future financial planning, as expressed in the MTFP, estimates for later years are always subject to a degree of risk. In particular, the financial settlement for 2024/25, while indicating that core spending power would be maintained, gave no guarantees of this and did not definitely rule out the previously planned reviews of funding of local government and business rates. The New Homes Bonus is also to be replaced and the level of funding that this will provide is, as yet, unknown.

The Council is also now in a position of increased reliance on external funding to support activities. This requires funds to be targeted to specific functions, the continuation of which is dependent on the funding itself being continued. In addition, if priorities change in year or, for whatever reason, the planned funding is discontinued or rephased, there will be an overcommitment of costs which may require in-year budget reductions to be identified. As identified in paragraph 2.3(j) this presents a risk of up to £190k for 2024/25 and cannot be continued beyond the life of existing grants, unless new grant funding streams are identified.

A number of known emerging risks are set out in section 5.10 of the report. In addition to these, there are wider potential risks which may materialise. These are identified in the following paragraphs.

### *Macro-economic circumstances*

The Covid-19 pandemic, the subsequent war in Ukraine and the cost of living crisis have had a significant effect on the Council's operations and its finances.

The budget proposed by the City Council for 2024/25 largely assumes that conditions will have largely returned to normal. However, specifically;

- Council Tax and Business Rates collection rates – the receipt of Council Tax is currently 4.0% lower than budget and Business Rates 3.2% lower, although this is expected to improve now that court action against non-payers has recommenced. The 2024/25 budget assumes the collection rates are in line with previous years. If this is not the case, payments could still be collected in future years.

## *Fair Funding*

Changes in the national economy including Brexit and the Covid-19 pandemic have delayed the Government's publication of the Fair Funding review. However, DLUHC has confirmed that there is still an intention to review local government finances with the intention of establishing a fair distribution of resources across all councils but that this will not take place until after 2025.

## *Business rates retention*

As part of the 2023/24 settlement, DLUHC indicated that there will still be a full business rates reset, but with the implementation date yet to be decided. This means that any growth achieved since the needs assessment was first made in 2013/14 is at risk of being included in the tariff. In 2021/22 the Council identified business rates growth of £1.54m above the baseline. Of which 50% (£0.774) is retained. This sum is at risk. A risk reserve of a minimum of £0.75m for two years totalling £1.4m was established to help mitigate this risk should it arise. The balance on this reserve is now forecast to be £1.951m as at 1 April 2024, before allowing for any transfer arising from the 2024/25 budget requirement.

## *New Homes Bonus*

2022/23 was the final year of funding from NHB, with all residual funding from previous settlements being exhausted. It had previously been said that it will be replaced by a new, more targeted approach that rewards local authorities where they are ambitious in delivering new homes, and which is aligned with other measures around planning performance. However, for 2023/24 and 2024/25 the scheme has been continued as a one-off extension, with no legacy payments for future years. The MTFP does not reflect any new income from this source as the proposals are not yet clear. However, the MTFP does allow for a minimum level of core spending power, of which NHB is a component.

## *Income risk*

As a result of reduced Government Funding, the Council is now reliant on income from services and investments to maintain its functions. In total, the Council has budgeted income for 2024/25 from fees and charges of £9.5m and £3.2m of Other Income, which includes property rental income. As a total of £12.7m, this is greater than the £11.0m that the Council generates from Council Tax and Business Rates taken together.

To mitigate the impact of reductions in income from fees and charges, the Council holds an Income Risk Reserve. At 31 March 2024 this is forecast to hold a balance of £0.2m.

The approach to mitigating risk in respect of investment activities is set out in the Capital Strategy and Investment Strategy.

The Council has also identified opportunities to allocate costs to capital programmes. Revenues costs can only be allocated to capital programmes where they directly relate to the creation of an asset or the development of an existing asset which increases its value. In the event that the programmes do not proceed as planned and/or the costs are not deemed to be capitalizable, they will be written off to

revenue budgets. This creates a risk of up to £0.190m in 2024/25, as per paragraph 2.3.j..

10.4 Corporate/Policy Implications

The Council is required to produce a balance budget for the forthcoming year and the Medium Term Financial Plan sets out the financial forecasts for the next 5 years.

10.5 Equality Implications

The budget proposals are designed to ensure the continuation of services to meet the needs of all residents of the City and other stakeholders in so far as available resources allow.

10.6 Human Resources Implications

Achievement of a balanced budget in future years may require reductions in posts over the 5 years of the MTFP. It is proposed to manage these through a combination of vacancy management, reduction in use of agency staff, retraining and reskilling of staff and voluntary severance.

10.7 Health and Safety Implications

None arising directly from this report.

10.8 Social, Economic and Environmental Implications

The budget proposals have taken into account feedback from residents and local businesses and have been subject to scrutiny by Members and officers of the Council. No services will be reduced as a result of the budget proposals and there are commitments, as set out in section 5 where the Council, if the proposals are accepted, is committing to allocating funding from reserves to enhance local facilities, increasing funding in specific areas, and/or maintaining funding in areas where other agencies are no longer able to support services financially.

Further social, economic and environmental implications have been included in consideration of the individual proposals submitted to the relevant Policy Committees or to the Policy & Resources Committee that form the basis of changes to the budget between 2023/24 and 2024/25 and over the lifetime of the MTFP.

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**Background Papers:** None