



Report to: Council, 20th February 2024

Report of: Chair of the Policy and Resources Committee

Subject: PROPOSED BUDGET 2024/25 AND MEDIUM TERM FINANCIAL PLAN 2024–2029

1. Recommendation

1.1 That Council approves the proposed Budget and Council Tax for 2024/25 as set out in this report. In particular:-

- a. The Budget Requirement for Worcester City Council (excluding Parish Precepts) 2023/24 at £12,728,175;**
- b. The Council Tax Requirement for Worcester City Council (excluding Parish Precepts) 2023/24 at £7,021,078; and**
- c. The Band D Council Tax for Worcester City Council (excluding Parish Precepts) at £213.08.**

1.2 That Council approves the Council Tax Resolution 2024/25 set out at Appendix 9 (*to follow*).

1.3 That Council approves the proposed Budget for 2024/25 as detailed in the following appendices:

- i. the summary budget 2024/25 as set out at Appendix 1**
- ii. the detailed Budget 2024/25 as set out in the Budget Book at Appendix 2**
- iii. the Treasury Management Strategy Statement 2024/25 as set out in Appendix 3**
- iv. the Pay Policy Statement 2024/25 as set out in Appendix 4**
- v. the detailed Fees and Charges 2024/25 as set out in Appendix 5 and in Appendix 5a (exempt item).**

1.4 That Council approve the proposed Medium Term Financial Plan for the next five-year period 2024/25 – 2028/29 as detailed in Appendix 1 and the forecast Earmarked Reserves balance at 31 March 2024 as set out in Appendix 7.

1.5 That Council approve the proposed Capital Programme and Capital Financing as set out in Appendix 6.

1.6 That Council endorse the list of revenue projects proposed by the Policy Committees in Appendix 8.

2 Background

2.1 At its meeting of 19 December 2023, the Policy and Resources Committee received details of the proposed draft budget for 2024/25 and the draft Medium Term Financial Plan (MTFP) for 2024-2029.

2.2 The Place and Economic Development Committee, Environment Committee, Communities Committee and Health & Wellbeing Committee were invited to submit details of their budget proposals to the Policy and Resources Committee for consideration at its meeting of 6 February 2024.

2.3 At its meeting of 6 February, the Policy and Resources Committee reviewed the proposed Budget for 2024/25 and the MTFP 2024-2029. The report is attached at **Annex A**. Three additional adjustments have been made to reflect changes to the budget for:

- a. £10k an apprentice in the Property Service;
- b. £37k for enhancements to the Food Inspection Programme in Regulatory Services;
- c. £(111)k increase in the Services Grant from DHLUC following confirmation of the Settlement for 2024/25 announced in December.

2.4 The MTFP includes a deficit for 2024/25 of £0.388m. It is proposed to address this and achieve a balanced budget through a transfer from the Business Rates risk Reserve.

2.5 The Committee also reviewed the proposals referred to in paragraph 2.2. The treatment of the final proposals recommended by the Policy and Resources Committee to Council is explained below.

2.6 The funding for all one-off revenue proposals is set out in **Appendix 8**. The total of one-off items amounts to £114,700, which will be taken from the Business Rates Risk reserve.

3 Council Tax Implications

3.1 At a time of continued uncertainties for the economy arising from national and world events, increases in Council Tax place an extra financial burden on Worcester City residents. At the same time residents have made it clear during the consultation exercise that they value the services they receive and the environment in which they live.

3.2 The consultation exercise highlighted that there is a difficult balancing act to be achieved between Council Tax increases, charges for services, income generation and service efficiencies. Furthermore from 2019/20 the City has effectively been in control of its own finances with no ongoing direct support from Government in respect of Revenue Support Grant, although the Government has provided one-off grants to support management of, and recovery from, the Covid pandemic, and subsequently, grants to support minimum service delivery.

- 3.3 Any one-off reduction in Council Tax through, for example, a one-off use of reserves means the Council Tax yield will be permanently reduced whilst capping rules remain in place. There will be no opportunity to make up that baseline reduction in future years, without the costly exercise of a referendum.
- 3.4 As part of the local government financial settlement published in December 2023, the Government confirmed that all District Councils should be able to increase Council Tax for 2024/25 by up to 2.99% over the 2023/24 charge without requiring a local referendum. The proposed 2024/25 Budget and MTFP are predicated on a Band D equivalent Council Tax increase of 2.99%, which is a £6.19 increase, in order to provide a balanced budget, and 2.99% per annum for each of the next five years.
- 3.5 Since the majority of people (75%) within the City of Worcester are in Band A, B or C rated houses this will mean on average an increase of around 1p per day in order to help us protect services. In respect of the most vulnerable, additional protections are available through the Local Council Tax Support Scheme.

4 Supporting Delivery of the City Plan

- 4.1 The core purpose of the Worcester City Plan is to ensure that all residents have the opportunity to fully participate in the unique and inspirational opportunity the city provides. It is important that we ensure that people and communities are supported to be as independent as they can be but also as community conscious as they can be. Worcester is a city that not only wants to thrive, it wants all of its residents to be part of a thriving city that has their future and future generations in mind. To this end it is important that this budget builds the foundations necessary for that future.
- 4.2 The balance on the City Plan Fund is expected to be £1.859m at 31 March 2023. The new proposed allocations against the City Plan Fund are set out in **Appendix 8**. The proposals, will be funded by a transfer from the Business Rates Risk reserve. The Government has not yet set a date for the anticipated review of business rates baselines but it is expected to be in 2024/25.

5 Pay Policy Statement 2024/25

- 5.1 Worcester City Council's draft Pay Policy Statement for 2024/25 is shown at **Appendix 4** as required by Section 38 (1) of the Localism Act. This includes The Council's pay and grading structure which was effective from 1st January 2017 and the impact of subsequent pay awards.

6 Fees and Charges 2024/25

- 6.1 The proposed detailed Fees and Charges 2023/24 are shown at **Appendix 5**. Owing to commercial sensitivity, the proposed Fees and Charges for certain business activities are classed as exempt items and are shown at **Appendix 5a**.
- 6.2 The proposals were reviewed by the Income Management Sub-committee and referred to the Policy and Resources Committee which has recommended their approval.

7 Capital Programme

- 7.1 The proposed capital programme for the period 2024-2029 totals £37.178m and is provided at **Appendix 6**. £24.787m of the capital programme is in 2024/25, thereafter it scales back considerably ranging from £7.3m to £1.4m per annum.
- 7.2 In line with the Council's Capital and Asset Management Framework, the strategy is to finance, through revenue budgets, reserves and external grants where possible, a sustainable capital programme of asset replacement to ensure adequate on-going service delivery. Capital financing of £26.697m (72%) is identified from these sources towards the capital programme. This compares to 72% in 2023/24.
- 7.3 The Council also has capital receipts as a source of financing and some £1.923m of funding is required to deliver the capital programme. This provides 5% of the funding source, compared to 6% in 2023/24.
- 7.4 The strategy on future borrowing is to ensure that any borrowing is only undertaken on a business case basis, identified against specific assets, and is affordable, with the loan paid off over the life of the asset. This will allow the Council to demonstrate that it is using borrowing to fund the more substantial capital projects that will exist for many years.
- 7.5 Proposed borrowing of £8.558m is forecast to finance 23% of the capital programme, mainly for property development and vehicle replacement. This compares to 22% in 2023/24.

8 Utilisation of Earmarked Reserves

- 8.1 A summary of projected balances on earmarked reserves at 31 March 2024 is shown at **Appendix 7**. The total earmarked reserves are forecast to be £7.326m at 31 March 2024. Of this total, £2.159m is uncommitted to specific projects, which is all held in the Risk Reserves. These have been developed to ensure that the Council is able to address risks relating to specific aspects of the business, including addressing hardship, reductions in income from services and reductions in business rates.

9 Treasury Management Strategy Statement 2024/25

- 9.1 The Treasury Management Strategy Statement is shown at **Appendix 3**. It has been updated to reflect the forecast budget figures in the MTFP and Draft Budget 2024/25. Approvals required are listed in Section 1 of the Statement and in accordance with Code of Practice on Treasury Management in the Public Services, and the Prudential Code for Capital Finance.

10. Implications

10.1 Financial and Budgetary Implications

As detailed in **Appendix 1**, the final budget provides a balanced budget for 2024/25. The subsequent years of the MTFP are currently showing a deficit which the Council will need to address in the next 12 months. As stated in the report to the Policy & Resources Committee, in the opinion of the Section 151 Officer the estimates of income and expenditure provided are robust and there are sufficient short-term reserves to meet unforeseen circumstances.

10.2 Legal and Governance Implications

None as a direct consequence of this report

10.3 Risk Implications

The balanced budget is dependent upon the savings and income targets being delivered on time and to the agreed levels. To the extent that these are not delivered on time or on budget, additional savings would need to be identified in order to maintain a balanced budget throughout the life of the MTFP. Risk reserves have been established in addition to the minimum balance of £1.1m which is maintained on the General Fund and are sufficient to mitigate this risk in the short term.

10.4 Corporate/Policy Implications

The budget and MTFP have been developed to support all of the City Plan themes.

10.5 Equality Implications

The budget and MTFP have been developed in consultation with a wide range of stakeholders to ensure as far as possible that there are no adverse impacts on any groups with protected characteristics.

10.6 Human Resources Implications

The budget includes proposals for efficiencies, some of which relate to employees' costs. Any specific changes in relation to these will be reported to the relevant committees where they have a direct consequence for policy and to the Personnel and General Purposes Sub-committee as required.

10.7 Health and Safety Implications

None as a direct consequence of this report.

10.8 Social Economic and Environmental implications

Implications as set out in the report to Policy and Resources Committee of 6 February 2024.

Ward(s):

All

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Background Papers:

none