

Cabinet



Date of meeting:	12 February 2024
Title of Report:	Proposed Revenue and Capital Budget 2024/25
Lead Member:	Councillor Tudor Evans OBE (Leader)
Lead Strategic Director:	David Northey Service Director for Finance (Section 151 Officer)
Author:	David Northey, Service Director for Finance (Section 151 Officer)
Contact Email:	David.Northey@plymouth.gov.uk
Your Reference:	Fin/Bud /2024/25
Key Decision:	No
Confidentiality:	Part I - Official

Purpose of Report

Cabinet considered the Draft Budget for 2024/25 at its meeting on 13 November 2023 and the Budget Scrutiny Select Committee considered the budget proposals on 6 and 7 December 2023. The report identified a residual budget shortfall of £2.358m. It was acknowledged that this report pre-dated the Provisional Local Government Settlement and the need for further work to be undertaken to enable this shortfall to be reduced to zero, resulting in a balanced budget proposal.

Under the Council's Constitution, Cabinet is required to recommend the Budget to Full Council

This report:

- Provides an update on progress on the final development of a proposed balanced 2024/25 budget including the work with the Department for Levelling Up, Housing and Communities (DLUHC) for Exceptional Financial Support in the form of a Capitalisation Direction
- Sets out revenue budget planning assumptions in respect of funding, proposed and previously approved savings plans plus resource requirements for 2024/25 (see Section 1)
- Sets out Capital Budget planning assumptions for 2024/25 (see Section 2)
- Summarises cost pressures
- Sets out the Capital Financing Strategy and the Treasury Management Strategy for 2024/25 (see Appendix 12 & 13)

Recommendations and Reasons

It is recommended that Cabinet:

1. Note a formal request has been submitted to DLUHC for a Capitalisation Direction, referred to as Exceptional Financial Support, in reference to the accounting treatment of the Council's pension arrears in 2019/20
2. Note that this proposed budget is dependent on the receipt of either the Capitalisation Direction or a Letter of Assurance from DLUHC, ahead of the Full Council meeting
3. Note the Financial Risks as set out in Appendix 8
4. Note that a report from the Council's Section 151 Officer (Chief Finance Officer) on the robustness of the budget estimates and the adequacy of the level of reserves will be a separate report to Council.
5. Note the recommendations and resulting actions from the Select Committee Budget Scrutiny
6. Recommends the following to Full Council, subject to amendments by the Section 151 Officer in consultation with the Leader for any final technical adjustments
 - a. *The Revenue Budget 2024/25 £236.622m*
 - b. *The drawdown of £1.448m of flexible capital receipts, as set out in the report*
 - c. *The Capital Budget 2024/25 £723.701m*
 - d. *The Capital Financing Strategy 2024/25, including an adjustment to the Minimum Revenue Provision (MRP) within 2024/25 revenue budget, as an amendment to the Minimum Revenue Provision Statement 2024/25 to release previous overpayment totalling £0.400m.*
 - e. *The Treasury Management Strategy 2024/25*

Reason *setting a balanced budget is a statutory requirement. The obligation to make a lawful budget each year is shared equally by each individual Member, discharged through Council. Options for achieving a balanced budget have been considered in the preparation of the proposed budget set out in this report.*

Alternative options considered and rejected

1. Not to bring forward proposals in respect of the 2024/25 Budget – rejected on the basis that the Council must agree a balanced budget before the start of the next Financial Year.
2. To propose an alternative budget which takes account of no Capitalisation Direction. As discussions are on-going with DLUHC and close to a conclusion, it is not felt necessary to undertake this at present. In the event that a Capitalisation Direction is not received an alternative budget will be developed with Cabinet and proposed ahead of Full Council as required. At that stage, it is likely that the S151 Officer will be proposing to issue a S114 Report.

Relevance to the Corporate Plan and/or the Plymouth Plan

The development and approval of the annual budget is fundamentally linked to delivering the priorities within the Council's Corporate Plan. Allocating limited resources to key priorities will maximise the benefits to the residents of Plymouth.

Implications for the Medium Term Financial Plan and Resource Implications

The resource implications are set out in the body of this report. The changes required to the Medium Term Financial Plan, resulting from these budget proposals, will be fully worked through, and presented to Cabinet at a future meeting. This report sets out the headline implications for the following three years.

Financial Risks

The Council is a complex service organisation with a gross revenue expenditure budget exceeding £500m and continues to face significant financial risks given the continuing uncertainty about future resourcing from central government, the wider economic environment and the Council's comparatively low levels of financial reserves. There is continuing demand pressures in both adult social care and children's social care. We are seeing no slowdown in demand and cost pressures in both homelessness and bed and breakfast accommodation plus our statutory responsibility to provide home to school transport for our most vulnerable children.

The Council is under a legal obligation to set a balanced budget for each municipal year, and the Council's Section 151 Officer is required to produce a statement as part of the budget documentation giving his view as to the robustness of the proposed budget.

The Council has requested a Capitalisation Direction from DLUHC. Any decision will need to be approved by Ministers from the department and from Treasury. The Direction, if granted, will allow the relaxation of accounting guidance, and allow the revenue costs of the 2019/20 transaction to be treated as a capital transaction. If not granted, we will be required to account for the full residual value of the transaction to be expensed as part of the 2024/25 revenue budget.

This budget is built on receiving the Capitalisation Direction. It uses available usable balances wherever possible and maximises available resources to allow directorates to consolidate the savings plans already built into the base budget from previous years' plans. In some areas such as children's social care, the gross impact of rising demand and cost of placements is unprecedented but reflects the cost pressures being experienced in 2023/24.

The Draft Budget 2024/25 resources reflect an increase in both the base Council Tax and the Adult Social Care Precept in line with the policy set out in the Autumn Statement 2023 and the Local Government Settlement in December 2023.

No decision has been made on any changes to the Council Tax charge for 2024/25; this is reserved for a decision of Full Council.

Carbon Footprint (Environmental) Implications

No impacts directly arising from this report. As the recommendations of this report relate to the overall revenue and capital budget, the scope of the decision covers all its activities. There will be carbon footprint implications arising from the activities financed by the budget, negative or positive, but these can only be effectively assessed on a case-by-case basis. The Council's commitments to the net zero agenda, as for any other agenda, will always sit within the financial context it is working within, but by taking a three-year perspective, the Net Zero Action Plan enables the Council to take a medium-term view which will assist with financial planning.

Other Implications: e.g. Health and Safety, Risk Management, Child Poverty

The reducing revenue resources across the public sector has been identified as a key risk within our Strategic Risk register. Officers will produce where relevant a risk register relating to the above areas specific to each proposal to inform decision making. The register will include mitigations of identified risks where necessary, and this will be reported as part of the decision-making process. As proposals are further developed, officers will assess, and report equalities impacts and mitigations as part of the process.

Appendices

Ref.	Title of Appendix	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
		1	2	3	4	5	6	7
1	Movement from November 2023 Draft Budget							
2	Additional cost pressures and adjustments							
3	Savings Proposals 2024/25							
4	Resources 2024/25							
5	Indicative 2024/25 Directorate Budget							
6	Capital Programme Breakdown							
7	Capital Programme future projects funding							
8	Financial Risks							
9	Letter from DLUHC on Exceptional Financial Support – Capitalisation Direction							
10	Cabinet response to Budget Scrutiny Recommendations 2024/25							
11	Budget Engagement 2024-25 Report							
12	Capital Finance Strategy							
13	Treasury Management Strategy							

Background papers

Title of any background paper(s)	Exemption Paragraph Number (if applicable) <i>If some/all of the information is confidential, you must indicate why it is not for publication by virtue of Part 1 of Schedule 12A of the Local Government Act 1972 by ticking the relevant box.</i>						
	1	2	3	4	5	6	7

Sign off

Fin	CH 09.02. 24 1314	Leg	LS/00 0013 12/3/ AC/9/ 2/24	Mon Off		HR		Asset s		Strat Proc	
<p>Originating Senior Leadership Team member: David Northey (Service Director for Finance)</p>											
<p>Please confirm the Strategic Director(s) has agreed the report? Yes</p> <p>Date agreed: 09/02/2024</p>											
<p>Cabinet Member approval: Councillor <i>Mark Lowry, Portfolio Holder for Finance</i></p> <p>Date approved: 09/02/2024</p>											