
Cabinet

12th December 2023

Name of Cabinet Member:

Cabinet Member for Strategic Finance and Resources - Councillor R Brown

Director Approving Submission of the report:

Chief Operating Officer (Section 151 Officer)

Ward(s) affected:

City wide

Title:

Pre-Budget Report 2024/25

Is this a key decision?

Yes - **Cabinet is being recommended to approve, as a basis for consultation, the spending and savings and Council Tax proposals for 2024/25 and future financial years**

Executive Summary:

This report outlines as a basis for consultation a set of new revenue budget proposals for 2024/25 to 2026/27 which represent changes to the Council's existing Budget. Consultation views are also sought on the potential level of Council Tax and Adult Social Care Precept increases for 2024/25. The final Budget proposals and the Council Tax and Adult Social Care Precept increases will be subject to Council approval in February.

The ambition to deliver the Council's overall future strategy continues to be the focus of the Pre-Budget proposals. The strategy is contained within the "One Coventry Plan" which sets out key priorities including: improving the economic prosperity of the city and region; improving outcomes and tackling inequalities within communities; and tackling the causes and consequences of climate change. Implicit within the plan is the Council's commitment to delivering a range of core services to everyone in the city.

The Council's financial plans are heavily dependent on both the allocation of Government grant resources and Government decisions which dictate councils' tax-based income streams. It continues to be the case that it is difficult to anticipate the key decisions that the Government will make on these matters and as a result, a number of key elements of the Council's financial plans are subject to some uncertainty with a degree of risk that the position presented in this report could be subject to change once the details of the local government financial settlement are published. The Provisional Local Government Settlement for 2024/25 is expected to be published in late December, again a very late point in the financial planning cycle, and this will provide a stronger indication of the likely position.

The Chancellor of the Exchequer set out the Government's Autumn Statement on 22nd November 2023. The Statement provided a one-year Department Expenditure Limit position for the Department of Levelling Up Housing and Communities (DLUHC). There is no clear indication of any additional resources beyond those already notified previously, which are in line with our current planning assumptions. The Council will need to assess the provisional local government finance settlement expected late December, to confirm this position.

No announcement was made to allow increases in Council Tax or Adult Social Care Precept beyond what was previously announced (3% and 2% respectively). As a result, this report recommends that the Council should consult on the basis of increasing the Adult Social Care Precept by 2%, and the Council Tax for other services by just under 3%, an overall combined rise of just under 5%.

The financial gap identified in this report will require considerable service savings or additional income proposals to address it, some of which will affect services to the public. This report includes proposals on which to consult, which collectively could form the basis of a balanced budget in 2024/25, albeit with financial gaps in future years. The outcome of the final Local Government Settlement will determine the extent of the options required to deliver a balanced budget. The Council is keen to avoid the need to reduce vital services and will seek to explore all possible avenues to do this, however there is currently a strong expectation that difficult decisions will need to be included as part of the budget proposals.

A Medium-Term Financial Strategy is intended to be presented alongside the final Budget Report in February. This will include the current financial context facing the Council in relation to a continued high inflation environment and difficult market conditions within both adults and children's social care and pressures on temporary accommodation costs to meet our statutory duties in relation to preventing homelessness.

The proposals in this report are made as a basis for public consultation and the results of the consultation will be reflected in the final Budget Report in February and considered as part of the final decisions recommended in that report. Further work will be undertaken to confirm all the financial assumptions included, between now and the final Budget Report in February.

An outline of the resources and the spending and savings proposals are provided in Section 2, within Table 1 and on a line-by-line basis in Appendix 1 to the report. The financial proposals assume that the Council will approve an increase in Council Tax and Adult Social Care Precept by the maximum allowed.

Appendix 2 contains details of proposed changes to the Council Tax Support Scheme. This report requests approval to conduct a public consultation on the proposed council tax support scheme. The budgetary challenges faced by the Council for 2024/25 require the Council to review all areas of discretionary expenditure and potentially the option to reduce the amount of support provided through the CTS scheme for working age households.

This report includes an indicative outline of the Council's prospective Capital Programme for 2024/25 based on current knowledge. This will be updated in the February Budget Report, reflecting the most up to date programme information available. The draft programme is based overwhelmingly on pre-existing decisions and patterns of expenditure.

Recommendations:

The Cabinet is requested to:

- 1) Approve as a basis of consultation: the revenue spending and savings options in Section 2 and Appendix 1 of the report and the broad Capital Programme proposals in sections 2.6 to 2.8 of the report.
- 2) Approve as a basis of consultation: the approach in relation to Council Tax and the Adult Social Care Precept in Section 1.8 of the report, including a Council Tax rise of just under 3% and an Adult Social Care Precept of 2%.
- 3) Approve an eight-week public consultation period to commence on 13th December 2023 on a draft council tax support scheme based on the preferred option detailed in Appendix 2, in accordance with The Local Government Finance Act 1992 (as substituted by the 2012 Act).

List of Appendices included:

- Appendix 1 – Pre-Budget Proposals and Financial Position
- Appendix 2 – Consultation on proposed changes to the Council Tax Support Scheme
- Appendix 3 – Equality impact assessments (EIA) matrix
- Appendix 4 – EIA – One Coventry: Coventry Connects Programme
- Appendix 5 – EIA – One Coventry: Integrated Placed Based Services
- Appendix 6 – EIA – One Coventry: Common Roles Review
- Appendix 7 – EIA – One Coventry: Advice Services
- Appendix 8 – EIA – Council Tax Support Scheme 2024/25
- Appendix 9 – EIA – Charge for Green Waste
- Appendix 10 – EIA – Increasing Alternative Temporary Accommodation Provisions
- Appendix 11 – EIA – Switch off Street Lighting
- Appendix 12 – EIA – City Centre Car Parking Charges
- Appendix 13 – EIA – Resident Car Parking Permit Charges
- Appendix 14 – EIA – War Memorial Parking Charges
- Appendix 15 – EIA – Traveller Incursions
- Appendix 16 – EIA – Education Transport Review
- Appendix 17 – EIA – Funding to Cultural Organisations
- Appendix 18 – EIA – Godiva Festival
- Appendix 19 – EIA – Residential Children’s Homes Strategy
- Appendix 20 – EIA – Council Tax Charge for Second Homes

Background papers:

None

Other useful documents

None

Has it been or will it be considered by Scrutiny?

No

Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?

No

Will this report go to Council?

No. The final budget proposals will be considered by Council following the consultation period.

Report title: Pre-Budget Report 2024/25

1. Context (or background)

- 1.1 Proposals for the Council's 2024/25 Budget are set out in this report. The Government's Autumn Budget Statement announced on 22nd November indicated no significant change to funding for local government although at the time of writing the Council is still awaiting the 2024/25 Provisional Local Government Finance Settlement which will confirm the funding envelope within which the Council will need to operate next year.
- 1.2 The Provisional Settlement should be received in the week beginning 18th December followed by a final settlement announcement a few weeks into 2024. The starting point of the 2024/25 Budget process following setting of the 2023/24 Budget was an initial financial gap for 2024/25 of £20m, rising to c£31m the following year. These figures were based on broad assumptions about future income and expenditure projections.
- 1.3 In the period since February, work has been undertaken to update the assumptions that underpin this position with the underlying objective of meeting the immediate budget gap and to address the medium-term financial position. Changes to these initial assumptions are included within Appendix 1 to the report, including the increase in general inflationary pressures which have remained much higher than previously forecast at a national level.
- 1.4 Prior to setting the final Budget in February, the Council will be required by law to establish the Council Tax and Business Rates tax-bases for 2024/25 and declare projected deficits or surpluses from previous years. Initial estimates of these tax-bases have been included in the financial projections within this report although it is expected that these will be refined in the final Budget Report.
- 1.5 Fundamental to the Council's overall financial approach is its commitment to protect the most vulnerable citizens and to deliver a range of core services to everyone in the city. This has become increasingly difficult in recent years as a result of rising prices and their impact on the cost of living over the past 2 years. The combination of resource constraints and pressure on some aspects of Council services means that the challenge of balancing the Budget has been heightened in the past 12 months.
- 1.6 The financial position presented in this report includes assumptions about the forthcoming Government settlement; anticipated additional costs from inflation, financial pressures within some services; and a range of service and technical savings to help balance the bottom-line position. All the changes to the previously approved Budget position are set out in Appendix 1 to the report. The service savings include ones which are likely to have an impact on front-line services.
- 1.7 The range of resource assumptions is informed to a degree by the 2023 Autumn Statement and also by the shape of the 2023/24 Local Government Settlement. These remain planning estimates only and are subject to confirmation by Government. The descriptions set out in Appendix 1 to the report give an indication of the implications of each proposal.
- 1.8 This report proposes that the budget consultation is carried out on the basis that the Council will increase Council Tax levels by just under 5%, the figure which the Council understands will be the maximum amount allowable without triggering a referendum. This is made up of a 2% Adult Social Care Precept and an increase of just under 3% for other expenditure. It is possible that increases in the Police and Fire precepts could result in a

total Council Tax rise above 5%. The financial position in Section 2, Table 1 of the report, assumes that these increases will be approved.

2. Options considered and recommended proposal

2.1 The remainder of the report details the financial position facing the Council and the specific proposals put forward for consultation. These proposals are detailed within Appendix 1 to the report.

Revenue

2.2 After taking account of all Council approved decisions, the Council started the 2024/25 Budget process with a shortfall of £20m rising in subsequent years. Overall resources include the Government settlement, amounts in relation to Council Tax and Business Rates and several specific grants that the Government includes within its definition of Core Spending Power. Movements in this category include the following:

- The Autumn Statement gives no indications of additional resources for local government although the precise detail will not be known until publication of the Local Government Provisional Settlement. The changes listed in Appendix 1 to the report make some assumptions consistent with previous announcements on local government funding. These are planning assumptions which will be confirmed or amended when the Settlement is released. The Autumn Statement reaffirmed the levels of the Social Care Grant (Appendix 1 to the report - line 3).
- Additional resources from the Council's Council Tax and Business Rates Collection Fund reflects a combination of Council Tax base growth, lower than budgeted Council Tax Support levels and a Business Rates multiplier inflationary increase of 6.7%.
- The Government has made some changes to the business rate reliefs for 2024-25 and Local Authorities will be fully compensated for any loss of business rates income as a result of these. This is cost neutral to the City Council.
- There is an assumption made within the Council's resources that the New Homes Bonus will continue for a further year reflecting housing growth within the city, however this is yet to be confirmed. The initial estimate of Coventry 24/25 allocation is £4m.

2.3 A number of expenditure and income pressures have created a revised budget gap over this period. The most significant of these individual pressures are outlined below:

- The Council faced the impact of continued high inflation. This includes additional costs from the confirmed 2023/24 pay award and provision for a 2024/25 pay award of 5%, returning to 2% for 2025/26 onwards. It also includes the effect of underlying inflation on energy and a range of its externally procured costs and services.
- Children's Services has seen a significant increase in the average unit cost of placements for looked after children, due to a lack of sufficiency in the market to meet the needs of young people in care and is a local, regional and national issue. Children's Services has also experienced a financial pressure related to workforce, with high levels of cases requiring additional workers and agency staff.

- The Council has experienced a growing pressure within Housing Services due to significant increases in numbers of households requiring temporary accommodation.

2.4 There are technical service savings, the most financially significant ones of which are as follows:

- The Council is forecasting that it will receive a further £2m of revenue generated through the Coventry and Warwickshire Business Rates Pool which is expected to continue for one further year.
- Combined impact of the Council's treasury activity (investment and borrowing) and its capital financing costs. An indicative position is shown currently but this will need to be finalised once the Council's Capital Programme is known.
- Part of the Capital Programme is funded from a revenue budget. There are proposals for the funding to come from capital receipts and relevant capital grants to deliver a one-off revenue saving.

2.5 The items on which this consultation is based provides an opportunity to set a balanced budget in 2024/25 pending confirmation of the Government Settlement and refinement of key technical areas of the Council's budget such as the Council Tax and Business Rates Collection Fund and estimates of inflationary and other expenditure pressures.

Table 1: Financial Position 2024/25 to 2026/27

	2024/25	2025/26	2026/27
	£000	£000	£000
Initial Budget Gap	20,080	30,722	28,066
Resources	(14,960)	(11,260)	(11,260)
Expenditure and Income Pressures	26,095	22,938	26,881
Technical Savings	(21,942)	(14,791)	(14,901)
Service Savings	(10,729)	(14,208)	(14,529)
Budget Gap	(1,456)	13,401	14,257

Capital

2.6 The Council has a draft 5-year capital programme which totals nearly £398 million based on approved decisions and expected resource allocations. Of this, nearly £165m is currently cash-flowed for 2024/25 taking into account an updated position for 2023/24.

2.7 The main components of the Council's provisional programme are set out below with the figures quoted representing the projected sums earmarked currently for 2024/25. The five-year programme and an updated cash-flow position will be included in February's final Budget Report. The Programme includes:

- Continued delivery of the Very Light Rail City Centre Demonstrator route within Coventry, which has been allocated £54.5m from the City Region Sustainable Transport Settlement (CRSTS) programme.
- A strategic transportation programme in excess of £18m incorporating the CRSTS programme, to deliver Tile Hill Station Park and Ride improvement scheme, Foleshill Transport Package and Coventry South Sustainable Transport Package.

- City Centre Cultural Gateway, which includes the creation of a Collections Centre for nationally significant cultural, arts and historical artefacts.
- Social Housing Decarbonisation Fund Wave 2 delivering a forecast of £14m energy efficiency measures to social housing properties in Coventry.
- City Centre Regeneration investment in excess of £50m continuing to take forward City Centre South plans.
- Continued investment in the school's capital works including provision for the expansion of secondary places under their One Strategic Plan, to include the new SEND school proposal at Woodlands.
- Continued investment in Adult and Children's Social Care in form of Disabled Facilities and Pathways to Care, along with the programme of vehicle replacement and ICT.

2.8 The draft programme will be subject to change between now and February with an expectation that some of the proposed expenditure may be shifted to later years. It is also important to be aware that some of the schemes involve a complex mix of funding sources, multi-partner delivery arrangements and challenging planning, technical and approval requirements that do not always lend themselves to smooth project delivery progress. In overall terms, given the large amount of externally funded and driven proposals within the Council's Capital Programme, it is very likely that a fair degree of flux will continue to be experienced in its cash-flow over the next few years.

3. Results of consultation undertaken

3.1 The proposals in the report are subject to statutory consultation requirements. The Council will communicate the report's key messages through usual consultation channels including social and digital media.

4. Timetable for implementing this decision

4.1 This report includes a set of draft budget proposals and does not authorise spending and savings decisions. Following a public consultation period, full Council will consider the final budget proposals in February 2024 to be implemented from 1st April 2024. An indicative profile is set out in Appendix 1 to the report.

5. Comments from the Chief Operating Officer (Section 151 Officer) and the Chief Legal Officer

5.1 Financial implications

Following the overarching position set out in the Autumn Statement 2023, the Council's financial circumstances for 2024/25 and beyond will be clarified by the fine detail that will be set out in the forthcoming Provisional Settlement. In order to provide a planning base, this Pre-Budget Report includes assumptions drawn from the Autumn Statement although this contains some degree of uncertainty.

Throughout the last two years a large number of local authorities have reported significant financial difficulties due to a combination of pressure from their underlying financial position, the impact of rising inflation levels, significant increases in social care costs and, in a few extreme cases, challenges caused by a failure of commercial ventures. Although Coventry has continued to maintain a relatively stable financial position through this period, a number of significant service pressures have emerged. Without strong action this position will threaten the future financial stability of the Council.

A range of sound financial management practices have continued to be undertaken including: implementing medium term planning which is not reliant on reserve contributions; making budgeting decisions that recognise fundamental pressures in the financial position; maintaining reserve balances at a level that is sufficient to manage budget risks; addressing issues of governance in decision making in line with external advice; pursuing financial planning approaches which do not place an over reliance on speculative commercial activity but which do incorporate a balanced and forward thinking approach to delivery of modest commercial gains; and exploring a range of savings proposals to be considered as part of this budget consultation process.

It is becoming clear that despite a recent history of robust financial management, the current financial environment is causing greater financial pressure on the Council. The Council's Medium Term Financial Strategy (MTFS) has been delayed and will be reported to Cabinet in advance of the final Budget Report in February. It will provide greater coverage of the Council's approach to financial planning and addressing current issues. These continue to be difficult times for local authorities and although the Council will identify a balanced position for 2024/25 there are significant gaps remaining over the medium term. In terms of future years, the Council will continue to use prudent assumptions to provide realistic financial projections and help to maintain a focus on sound financial decision making going forward.

The financial position in Appendix 1 to the report presents, subject to consultation, an opportunity to balance the 2024/25 budget, but with gaps of £13m and £14m over the following two years. In the period between now and February, the Council will update its forecasts as a result of the Local Government Finance Settlement and a small number of technical areas. Given the national political uncertainty that is likely over the coming year, the Council cannot afford to be complacent or plan on an optimistic basis for the medium term. Any such approach would run the risk of leaving future financial gaps with insufficient time to identify ways of addressing them.

The Council's recent revenue and capital budgets have maintained a strong focus on helping Coventry become a growing and more prosperous city, both to help protect and increase key tax revenue streams and reduce the reliance of some local residents on Council services. In addition, the Council has adopted more commercial approaches to identify new and increased revenue streams. This will continue to be important as part of a balanced strategy which pays due regard to the risks and limitations inherent within them. The view of the Chief Operating Officer (the Section 151 Officer) is that the risk of occasional negative financial consequences of taking such approaches is lower than the risk of not pursuing them at all and failing to attract the sustained financial benefits that they offer.

The indicative level of the Capital Programme set out above is only a guide at this stage although it continues to point towards a significant programme of spend on capital schemes across the city. Much of this spend will continue to deliver benefits to the local economy through infrastructure improvements and enhancement of the city's appeal to private sector investment. The medium-term trajectory of the Capital Programme does not reflect the high levels of expenditure experienced in recent years and will depend on the success of future grant bidding processes and Government announcements.

5.2 Legal Implications

Budget Policy Proposals

The proposals in this report are designed to meet the Council's statutory obligations in relation to setting a balanced 2024/25 budget by mid-March 2024. This includes the duty to report to the Council on the robustness of the estimates provided and the adequacy of the

financial reserves in place. Section 31A of the Local Government Finance Act 1992 and Section 25 of the Local Government Act 2003 refer.

Council Tax Support Scheme

The Local Government Finance Act 1992 as amended includes a requirement for the Council to adopt any revisions to its local Council Tax Support scheme by 11 March of the year in which changes are to be implemented.

Failure to do so would result in the Council having to maintain the scheme currently in place.

Section 67(2)(aa) Local Government Finance Act 1992 as amended by the 2012 Act, states that the implementation of a local Council Tax Support scheme and any subsequent revisions to the scheme will be a function reserved to full Council.

The framework within which billing authorities must devise their Council Tax Reduction schemes is contained in Part 1 of Schedule 4 to the Act. This Schedule provides that the following matters must be included in an authority's scheme:

- a. a description of the classes of person entitled to a council tax reduction;
- b. details of the reductions which are to apply to those classes (different classes of persons may be entitled to different reductions);
- c. the procedure under which a person may apply for a Council Tax reduction; and
- d. an appeals procedure covering decisions over entitlement to a reduction and the amount of any reduction due.

These items are all included in the proposed revised schemes.

Consultation must be carried out in accordance with the 2012 Act. The Council must attempt to ensure that all interested parties are able to give a view.

The Council must consider whether there are any groups or individuals that are adversely impacted by any changes when making its final decisions on a local scheme.

6. Other implications

6.1 How will this contribute to the One Coventry Plan

<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>

The Council, in common with all local authorities, will continue to be faced with challenging resource constraints although the precise nature and trajectory of this are not yet clear. Individual proposals set out in this report are likely to have an impact on front-line services as set out in Appendix 1 to the report. The Pre-Budget position is presented within the context of the existing Medium Term Financial Strategy, which is aligned with the priorities set out for the City within the One Coventry Plan. In this way Pre-Budget proposals are aligned to existing policy priorities.

6.2 How is risk being managed?

The inability to deliver a balanced budget is one of the Council's key corporate risks. The proposals within this report are aimed directly at trying to mitigate this risk. The new savings and income targets that will be included in the Council's bottom line budget position are unlikely to represent a significant risk of non-achievement. However, the continued budget gaps for future years will need to be addressed as part of the next budget process through 2024.

6.3 What is the impact on the organisation?

The proposals set in Appendix 1 to the report are likely to result in a small number of post deletions and some impact on services as detailed. Any new savings and income targets included in the Council's approved budget position will need to be managed carefully as they are implemented to manage the risk of non-achievement. In addition, the continued budget gaps for future years will need to be addressed as part of the next budget process through 2024.

6.4 Equalities / EIA

Budget Policy Proposals

Equality Impact Assessments (EIAs) on the policy proposals contained in this year's pre-budget report can be found at Appendix 4-20 of the report. A collective analysis of all these EIAs has been produced and can be found in Appendix 3 of the report. Many of these proposals will only be fully developed if they are included in the final budget report in early 2024 - and will then be subject to fuller, more detailed equality impact assessments at this time.

Council Tax Support Scheme

An equality impact assessment (EIA) has been carried out to understand the likely impact of implementing the recommendations contained in this report. This EIA can be found in Appendix 8 to the report. From initial modelling of the three proposed changes to the Council Tax Support Scheme, it can be concluded that there will be potentially negative impact for approximately 16,400 households currently in receipt of support. These households are comprised of people across all protected characteristics, however, there is insufficient data to be able to conclude if the impact will be felt more by some protected groups as compared to others. As approximately 754 households from the modelling have been identified as being positively impacted by the proposed changes, the formal outcome of the EIA is that both positive and negative impact has been identified for one or more protected groups.

6.5 Implications for (or impact on) climate change and the environment

No impact at this stage although climate change and the environmental impact of the Council's decisions are likely to feature more strongly in the future.

6.6 Implications for partner organisations?

Budget Policy Proposals

The options contained within this consultation include potential impact on some of the Council's partner organisations. We will engage with key partners on these matters as appropriate.

Council tax Support Scheme

Reducing entitlement to benefit has potentially significant impacts on partner organisations, particularly for advice agencies and other third sector organisations. The Council is in regular contact with partner organisations to ensure they are kept informed of potential changes and it is expected that these organisations will respond to the public consultation on a draft scheme.

There are implications for major precepting authorities, and the Council has initiated consultation with West Midlands Police, West Midlands Combined Authority and the West Midlands Fire and Civil Defence Authority in respect these implications.

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