

Financial Planning

Budget 2024/25

Budget Scrutiny Task Group 25 January 2024

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Background – General Fund revenue budget

- This budget position is updated following November's Autumn Statement and the Provisional Local Government Settlement announced in late December
- Savings, pressures and investments reflect the outcome of November's Budget Scrutiny Task Group meetings
- Temporary Accommodation remains the most significant pressure in the MTFP. This is projected to increase by £24.4m in 2024/25 (a further £18.2m since July) and a further £3.7m in 2025/26 – there is a risk this may increase further
- Following the Autumn Statement, the Office of Budget Responsibility updated its medium-term economic forecast. The budget position has been updated using their November 2023 updated forecasts
- The Provisional Settlement was £2.4m higher than estimated following continuation of New Homes Bonus

Autumn Statement 2023

- The key highlights from the Autumn Statement are:
 - National insurance rate cut from 12% to 10% - no impact on employer NICs
 - Benefits to increase by 6.7%
 - National living wage (and London living wage) increases by 10% - this impacts contract inflation budgets
 - Income tax and NI thresholds frozen
 - Local Housing Allowance unfrozen – housing benefits remain capped for Councils
- Economic Context:
 - Inflation reduced to 3.9% in November 2023, but increased to 4.0% in December, still double BoE's 2% target. November OBR data forecasts a slower return to 2% target compared to March 2023 forecasts
 - Bank rates are therefore expected to remain elevated for longer
 - GDP growth expected to be 0.7% for 2024/25, underpinned by risk of economic stagnation

Local Government Finance Settlement

- The provisional settlement was broadly in line with expectations following the Autumn Statement in November and remains a single-year settlement. The key changes from November estimates are a higher SFA by £0.9m (as a result of CPI indexation being higher), additional funding for social care of £1.9m, reduction in services grant of £2.9m (to fund SFA / social care grant) and a continuation of new homes bonus and a higher allocation for Westminster based on an increase in affordable homes being delivered in the City.

Funding Stream	November forecast 2024/25 £'m	2024/25 PLGFS £'m	Change from November forecast £'m
Settlement Funding Assessment (SFA)			
Revenue Support Grant	(36.791)	(37.183)	(0.392)
Baseline Funding	(98.921)	(99.473)	(0.552)
SFA sub-total	(135.712)	(136.656)	(0.944)
Grants			
Social Care Grant	(31.215)	(32.004)	(0.789)
Market Sustainability and Improvement Fund*	(4.659)	(5.789)	(1.130)
Improved Better Care Fund	(17.600)	(17.600)	-
Discharge Grant	(4.124)	(4.124)	-
Services Grant	(3.510)	(0.575)	2.935
New Homes Bonus	-	(2.441)	(2.441)
Grants sub-total	(61.108)	(62.533)	(1.425)
SFA plus Grants TOTAL	(196.820)	(199.189)	(2.369)

*workforce grant rolled into MSIF from 2024/25

Changes since November Scrutiny

	2024/25 over 2023/24	2025/26 over 2024/25	2026/27 over 2025/26	Total
	£m	£m	£m	£m
Forecast Budget Gap as at Nov 2023 (Scrutiny)	5.161	26.338	13.317	44.816
Changes & Variations				
Contract Inflation and LLW Increases	1.600	-	-	1.600
ASC LLW & Contract Inflation	2.380	-	-	2.380
Additional interest income	(3.000)	3.000	-	0.000
Revised forecast concessionary fares	(0.915)	0.119	2.205	1.409
Changes to Investments*	0.324	0.702	(0.426)	0.600
Reprofiled & Changes to Savings	(0.699)	0.610	(0.500)	(0.589)
Funding Changes				
Grant funding changes	(2.369)	(0.049)	0.791	(1.627)
Changes to investment funding	0.876	(0.252)	0.576	1.200
WCC share of Council Tax Deficit	1.572	(1.572)	0	0
Application of Reserves to Fund CT Deficit	(1.572)	1.572		0
Changes to council taxbase	0.010	-	-	0.010
Additional Council Tax empty property relief	(0.101)	-	-	(0.101)
Revised Budget Gap	3.267	30.468	15.963	49.698
Movement in Gap since November 2023	(1.894)	4.130	(2.646)	4.882

*CCTV investment proposal

Forecast Budget Gap

Key Budget Movements	2024/25 over 2023/24 £m	2025/26 over 2024/25 £m	2026/27 over 2025/26 £m	Total £m
Funding:				
Core Funding and Grants	(17.193)	0.283	(2.788)	(19.698)
Estimated Loss from Fair Funding Review and Census Impact	0.000	9.000	9.000	18.000
Council Tax Base Changes (inc. Empty Property)	(0.741)	(0.656)	(0.663)	(2.060)
WCC Share of Council Tax Deficit	1.572	(1.572)	0	0.000
Corporate Provisions:				
Capital Financing	3.000	3.000	3.000	9.000
Inflation: Pay	4.204	3.038	3.099	10.341
Inflation: Non-pay incl. LLW	12.096	5.208	5.208	22.513
Service Pressures	28.357	7.365	2.230	37.952
Interest Earnings	(15.200)	13.000	6.000	3.800
Concessionary Fares	0.556	2.443	2.205	5.204
Fees & Charges	0.000	(2.000)	(2.000)	(4.000)
Application of Reserve Funding	(1.572)	1.072	0.500	0.000
Approved Savings:				
Net Savings	(20.136)	(11.745)	(9.845)	(41.726)
Fairer Westminster investments:				
Investments	7.472	(2.010)	(1.639)	3.823
Application of Reserve Funding	0.852	4.043	1.654	6.549
Budget Gap	3.267	30.468	15.963	49.698

Note: the above does not take into account any decision on the level of council tax. Every 1% increase in CT raises an additional £656k. Regulations allow an increase of up to 4.99% (incl.2% for the Adults Social Care precept)

Dedicated Schools Grant (DSG)

- Provisional 24/25 DSG allocation has increased by £5.045m or 2.7%
- Overall the schools block has reduced by 0.39% to £129.279m as a result of pupil numbers reducing by 512.5 to 16,745 and the increase in per pupil funding of 2.7%. Once the Teachers Pay Additional Grant is taken account of the increase is 3.5% per pupil.
- Early years funding increase of £3m or 24.7% includes funding for new entitlements for working families receiving benefits.
- Schools with falling rolls continue to be in a challenging budget position and the number and size of schools in a deficit position is increasing. Schools in deficit are required to set a deficit recovery plan over 3 years and of the 14 schools currently in deficit, 6 are still working on their deficit recovery plans.

Budget Risks

The budget presents a balanced position for 2024/25, however, there are key risks that remain, and these are set out below

- Temporary Accommodation (TA) growth has been built into the MTFP based on several critical assumptions (see below). If these materialise differently, there is a risk that the allocated growth is not sufficient to contain the budget pressure.
 - **Demand** – households in TA to reach 3,650 by the end of 2024/25
 - **Supply** – WCC acquisition programme to support 50% of all new TA demand
 - **Supply** – no material increase in the use of corporate hotel accommodation (versus September 2023 levels)
- Government has yet to make any announcements on Household Support Fund. The 2024/25 budget assumes spend reduces as HSF reduces, i.e. no net impact of baselining spending into core budgets. HSF is currently funding c£2m for support to free school meal eligible pupils during holiday periods.
- Inflation forecasts have been updated to reflect OBR's November expectations. The return to 2% CPI is now expected to take longer than their March position. The Council's budget continues to be exposed to higher inflationary pressures
- Savings are achieved when planned and in full
- Falling school rolls have left 14 schools in deficit. Those schools are required to produce a deficit reduction plan. However, any school that closes with a deficit must be covered by the General Fund.

CCTV Investment Proposal

- Introduction of CCTV as a tool to assist with our response to ASB, noise & waste issues in the borough
- Proposed CCTV investment within the Communities, Children & Public Protection portfolio includes provision of CCTV across all wards but with a focus on known hot spots & areas to be determined according to activity
- Proposed shared services agreement with another local authority to monitor on a 24/7 basis, 100 mobile CCTV cameras.
- Proposed contract, subject to procurement processes, to purchase, deploy, redeploy, manage and maintain 100 mobile CCTV cameras.
- Recruitment of CCTV manager to coordinate the development and delivery of this service and the co-ordination of existing council CCTV assets, and to produce and implement the WCC CCTV policy / strategy; ensuring compliance and the effective delivery of outcomes.
- Capital cost of approximately £500k to be funded from existing CCTV capital scheme within ECPP
- £600k revenue budget included in 24/25 covering the following Monitoring Shared Services agreement (£500k) and WCC Client costs (£100k)
- Additional revenue budget to be funded by reserves in 24/25 and included in base budget thereafter