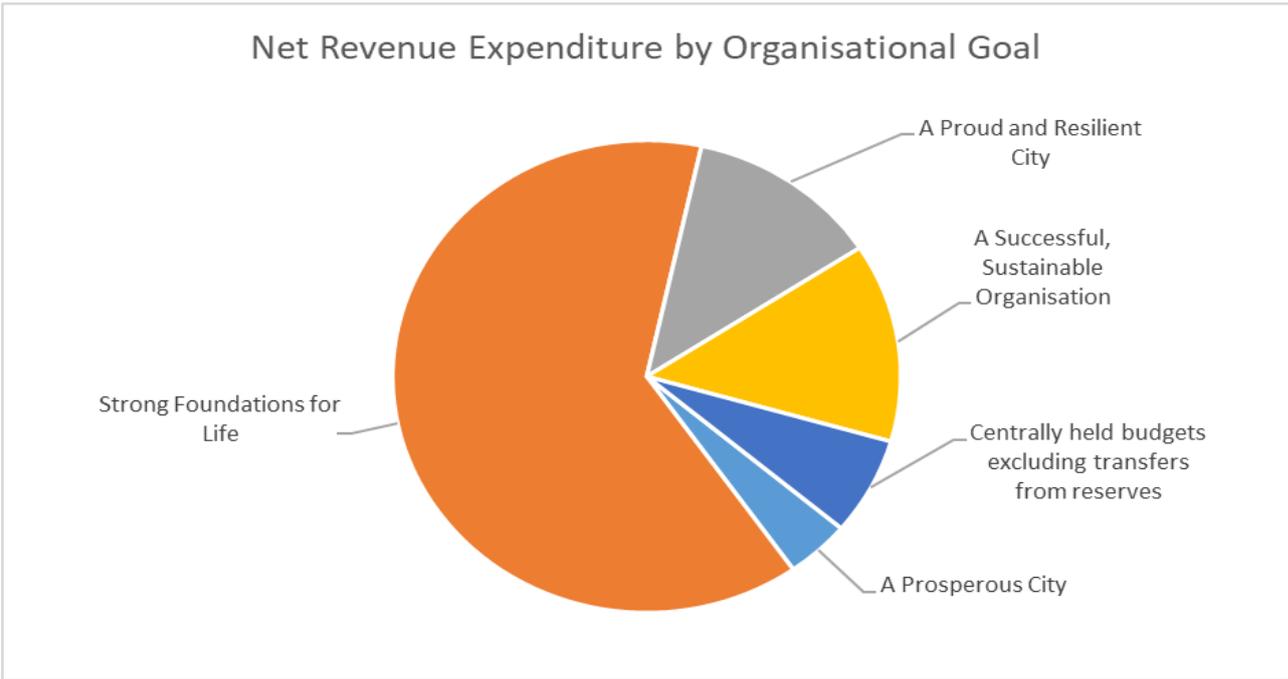


<b>THE REVENUE BUDGET 2023/24 AND MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2026/27</b>	
	<b><u>INTRODUCTION</u></b>
1.	This report sets out the budget for 2023/24 and how it will be balanced through a combination of savings, additional funding and significant use of reserves. The proposed net revenue budget for 2023/24 is £221.5M, compared with a current year budget of £193.2M. The report also provides an update on the Medium Term Financial Strategy (MTFS) for the period to 2026/27.
2.	The budget is based on a council tax increase for 2023/24 of 4.99%, being 2.99% for 'core' council tax and 2.00% for the adult social care precept, in line with the referendum limits set by the government. Additional funding of £0.5M is available to give targeted support to help those most in need. This is on top of existing support for local council tax support claimants.
3.	The government has provided additional funds for adult social care and repurposed funding previously set aside for adult social care charging reforms into mainstream funding for social care (adults and children's). Despite this injection of funding, adequate funding for social care continues to be a major concern over the longer term given rising demand and costs in a difficult national economic climate.
4.	All local authorities are facing considerable pressures due to the sharp rise in inflation, energy cost increases, pay awards being higher than expected, higher interest rates and strong demand for council services.
5.	Savings totalling £22.0M for 2023/24 are proposed as part of the budget, however this is not sufficient to bridge the gap between forecast expenditure and funding and £20.6M is required from reserves to balance the budget. This will have a detrimental impact on the Council's financial resilience and work will need to continue during 2023/24 to find ways to reduce the call on reserves.
	<b><u>STRATEGIC CONTEXT</u></b>
	<b><u>Autumn Statement 2022</u></b>
6.	The government published the Autumn Statement 2022 on 17 November 2022, setting out spending plans for the 2-year period 2023/24 and 2024/25 and guidelines for the medium term. From a local government perspective, key headlines were the announcement of £1.0Bn additional grant funding for adult social care for 2023/24 (£1.7Bn for 2024/25), a delay in the adult social care charging reforms and repurposing of the £1.3Bn funding previously set aside for this in 2023/24 (£1.9Bn for 2024/25) and removal of funding for the Health and Social Care Levy that is no longer going ahead. For council tax increases, limits of 3% for core council tax and 2% for the adult social care precept would likely be set for each year of the next 2 years, above which local referendums would be required.
7.	Further details of the Autumn Statement are provided in section 2.3.1 of the Medium Term Financial Strategy (Annex 1.1).
	<b><u>Local Government Finance Policy Statement and Settlement</u></b>
8.	The government published a 2-year local government finance policy statement on 12 December 2022 outlining the principles that would be applied in the 2023/24 local government finance settlement and the core principles to be applied in 2024/25, followed a week later by the publication of the 2023/24 provisional settlement on 19 December

	2022, with the final settlement announced on 8 February, providing detailed allocations of funding at a local authority level for the year ahead.
9.	The policy statement set out how the additional and repurposed funding announced in the Autumn Statement would be distributed, provided confirmation that revenue support grant and the business rates baseline funding level would be updated by inflation and that the New Homes Bonus scheme would be continued for a further year. The statement also confirmed that local authorities would receive compensation, based on the Consumer Price Index (CPI), for freezing of the business rates multiplier. In the statement, Government did encourage local authorities to apply reserves to help address their budget pressures. Additionally, the published figures of local government funding support make an assumption that all councils will use the maximum possible council tax rise, and by implication, the Government's settlement assumes 5% for councils such as Southampton. It is of note that Council Tax provides a regular and ongoing financial benefit, whilst reserves by their nature are a one off source of financing only, and excessive reliance on reserves indicates the budget has fundamental underlying issues of sustainability. Reducing reserves will inevitably expose the authority to greater financial risks and also reduce the potential sums available from reserves to finance 'invest to save' type measures and other on-going savings.
10.	The policy statement and settlement confirmed local authorities could apply an increase in core council tax of up to 3% and an increase in the adult social care precept of up to 2% for each of the years 2023/24 and 2024/25.
11.	In the policy statement the government set out its intention not to make any changes to how the local government finance system operates during the remaining life of this parliament. This means any updates to needs and resources assessments will not be made until 2025/26 at the earliest, at least 5 years later than originally proposed. This uncertainty over future funding doesn't help local authorities like Southampton reach long-term financial sustainability.
12.	Further details of the local government finance policy statement and provisional settlement are provided in sections 2.3.2 and 2.3.3 of the Medium Term Financial Strategy (Annex 1.1). The final local government finance settlement was announced on 8 February 2023 and largely confirmed the allocations made in the provisional settlement.
	<b><u>Other national issues affecting the MTFS</u></b>
13.	The cost of living crisis, high levels of inflation, energy prices, high wage growth and increased interest rates are having a significant effect on the financial position of the Council. This comes on top of increased demand continuing as a legacy of the COVID-19 pandemic.
14.	Other issues affecting the MTFS include: <ul style="list-style-type: none"> <li>• Homes for Ukraine</li> <li>• Adult social care reform</li> <li>• Levelling Up Funding</li> </ul>
15.	Further details are set out in section 2.2.2 of the Medium Term Financial Strategy (Annex 1.1).
	<b><u>LOCAL CONTEXT</u></b>
	<b><u>Council Priorities</u></b>
16.	The revenue budget and MTFS are integral to the delivery of the City Council Corporate Plan. The plan sets out how the Council aims to create a place where people want to live, work, study, visit and enjoy by delivering on four goals, which are:

	<ul style="list-style-type: none"> <li>• A prosperous city</li> <li>• A proud and resilient city</li> <li>• Strong foundations for life</li> <li>• A successful, sustainable organisation</li> </ul>												
17.	The Council's budget setting process centres around these organisational goals to ensure resources are directed towards agreed priorities. Chart 1 below shows the £234.2M revised net revenue expenditure budget (excluding transfers from reserves) for 2022/23 broken down by organisational goal.												
18.	<p><u>Chart 1 – Net revenue expenditure (excluding transfers from reserves) by organisational goal</u></p>  <table border="1"> <caption>Net Revenue Expenditure by Organisational Goal</caption> <thead> <tr> <th>Organisational Goal</th> <th>Approximate Amount</th> </tr> </thead> <tbody> <tr> <td>Strong Foundations for Life</td> <td>£120.0M</td> </tr> <tr> <td>A Prosperous City</td> <td>£40.0M</td> </tr> <tr> <td>Centrally held budgets excluding transfers from reserves</td> <td>£30.0M</td> </tr> <tr> <td>A Successful, Sustainable Organisation</td> <td>£25.0M</td> </tr> <tr> <td>A Proud and Resilient City</td> <td>£19.2M</td> </tr> </tbody> </table>	Organisational Goal	Approximate Amount	Strong Foundations for Life	£120.0M	A Prosperous City	£40.0M	Centrally held budgets excluding transfers from reserves	£30.0M	A Successful, Sustainable Organisation	£25.0M	A Proud and Resilient City	£19.2M
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	<b><u>Legacy of Public Sector Spending Reductions</u></b>												
19.	The settlement funding assessment (SFA) is the Government's calculation of funding required by a local authority after allowing for income generated from council tax.												
20.	Government measures to reduce public sector spending in the previous decade saw a significant reduction in local government funding, with the Council's SFA reducing by almost a half from £121.0M in 2013/14 (when the current local government finance system was introduced) to £65.3M in 2019/20.												
21.	The Council's SFA for 2023/24 has increased by £3.7M compared to 2022/23 in the provisional local government finance settlement, with the real-terms additional resources announced in the 2022 Autumn Statement being allocated via specific grants rather than the SFA. This is only a £5.0M increase over the last 4 years compared to the £55.7M reduction over the previous 6 years.												
22.	Core Spending Power (CSP) is the Government's measure of resources available to local authorities to fund services delivery, taking into account the SFA, certain government grants and council tax. Council tax charges are assumed to increase by the maximum allowable within the referendum limits.												
23.	The Council's CSP for 2023/24 in cash terms is only just back up to the level it was in 2010/11. In real terms the Council has seen a 23.8% reduction in resources since 2010/11.												

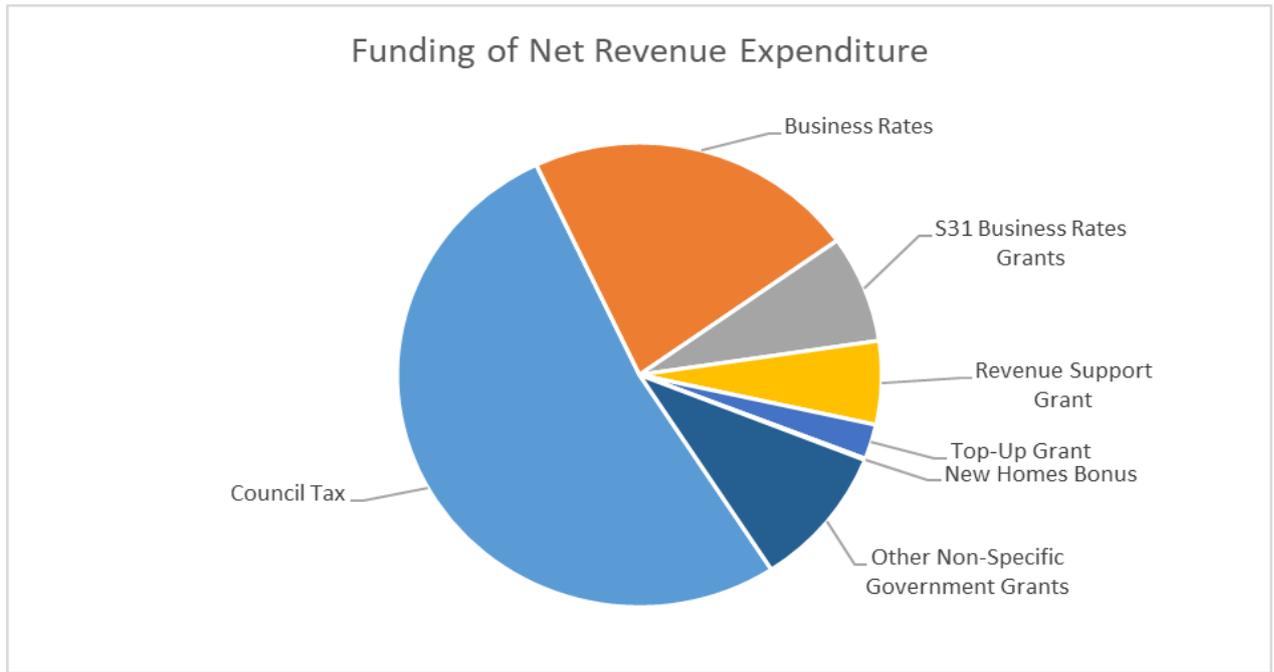
24.	Further details are provided in sections 1.1.1 and 1.1.2 of the Medium Term Financial Strategy (Annex 1.1).
	<b><u>Savings History</u></b>
25.	Southampton City Council has agreed some £84M of savings between 2016/17 and 2022/23, including any step-up in amounts for future years, which has been a necessary part of achieving a balanced budget. More details are included in section 1.1.3 of the Medium Term Financial Strategy (Annex 1.1).
	<b><u>2022/23 General Fund Revenue Forecast Outturn</u></b>
26.	The 2022/23 forecast outturn for the General Revenue Fund is a deficit of £10.34M, after taking into account £4.70M of agreed in-year savings. Failing any further improvement in the financial position this will need to be met from the Medium Term Financial Risk Reserve.
27.	The main contributor to the adverse position is the Children & Learning portfolio, which has a forecast deficit of £11.02M, of which over half relates to Pathways Through Care and the increased demand for services.
28.	Further details on the forecast outturn position for 2022/23 are included within the report on the Financial Monitoring for the period to the end of December 2022 to be considered by Cabinet at its meeting on the 21 February 2023. This latest position has been taken into consideration in updating the Medium Term Financial Strategy.
	<b><u>2022/23 Collection Fund Forecast Outturn</u></b>
29.	Southampton City Council's share of the forecast deficit to be carried forward on the Collection Fund after taking into account government grant for business rates reliefs and their timing differences is £1.69M. This comprises a £0.26M deficit for Council Tax and a £1.43M deficit (after grant) for business rates. Further details are included within the Financial Monitoring for the period to the end of December 2022 report to be considered by Cabinet at its meeting on the 21 February 2023.
30.	The government made regulations in 2020 to require, by exception, 2020/21 in-year deficits to be spread over 3 years. £1.20M of the net Collection Fund deficit being carried forward into 2023/24 is for the final year of this exceptional deficit and was included in the Medium Term Financial Strategy agreed in February 2022.
	<b><u>MEDIUM TERM FINANCIAL STRATEGY AND GENERAL FUND BUDGET</u></b>
31.	The Medium Term Financial Strategy (MTFS) provides a strategic financial framework for the delivery of the Council's priorities.
32.	There are 6 key aims: <ul style="list-style-type: none"> <li>• To provide financial parameters within which budget and service planning should take place;</li> <li>• To ensure the Council sets a balanced budget;</li> <li>• To focus and re-focus the allocation of resources so that, over time, priority areas receive additional resources. Ensuring services are defined on the basis of a clear alignment between priority and affordability;</li> <li>• To ensure the Council manages and monitors its financial resources effectively so that spending commitments do not exceed resources available in each service area and where ring-fenced government funding is reduced the service area takes action to reduce expenditure accordingly;</li> </ul>

	<ul style="list-style-type: none"> <li>To plan the level of fees, charges and taxation in line with levels that the Council regard as being necessary, acceptable and affordable to meet the Council's aims, objectives, policies and priorities whilst gradually reducing the Council's reliance on Central Government funding; and</li> <li>To ensure that the Council's long term financial health and viability remain sound.</li> </ul>																																			
33.	The MTFs covers the financial years 2023/24 to 2026/27 however, given uncertainties around both funding levels and spending pressures, the future years are only indicative at this stage.																																			
	<b><u>Update on budget for 2023/24 at November 2022</u></b>																																			
34.	A report providing an update on the budget forecast for 2023/24 and savings plans being consulted upon was presented to Cabinet in November 2022.																																			
35.	<p>The report outlined anticipated changes to government funding, budget and inflationary pressures faced by the Council and draft proposals and measures to help mitigate the forecast budget shortfall. The proposals within the report did not achieve a balanced budget for 2023/24, with an increased shortfall of £28.9M still to be addressed. The report is available as agenda item 31 at:</p> <p><a href="#">Agenda for Cabinet on Tuesday, 8th November, 2022, 4.30 pm   Southampton City Council</a></p>																																			
36.	A summary of the forecast budget shortfall as reported in November is set out in Table 1 below.																																			
	<p><b><u>Table 1 – General Fund Forecast Budget Shortfall November 2022</u></b></p> <table border="1"> <thead> <tr> <th></th> <th>2023/24 £M</th> <th>2024/25 £M</th> <th>2025/26 £M</th> <th>2026/27 £M</th> </tr> </thead> <tbody> <tr> <td><b>Forecast Budget Shortfall February 2022 (after previously agreed savings)</b></td> <td><b>23.43</b></td> <td><b>21.46</b></td> <td><b>21.95</b></td> <td><b>21.95</b></td> </tr> <tr> <td>Funding Changes</td> <td>(6.82)</td> <td>(6.82)</td> <td>(6.82)</td> <td>(6.82)</td> </tr> <tr> <td>Use of Reserves</td> <td>(1.00)</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Budget and Inflationary Pressures</td> <td>30.34</td> <td>27.80</td> <td>29.78</td> <td>35.94</td> </tr> <tr> <td>Draft Savings Proposals</td> <td>(17.05)</td> <td>(16.21)</td> <td>(18.82)</td> <td>(19.51)</td> </tr> <tr> <td><b>Forecast Budget Shortfall November 2022</b></td> <td><b>28.90</b></td> <td><b>26.23</b></td> <td><b>26.10</b></td> <td><b>31.57</b></td> </tr> </tbody> </table> <p style="text-align: center;">NB Numbers are rounded</p>		2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	<b>Forecast Budget Shortfall February 2022 (after previously agreed savings)</b>	<b>23.43</b>	<b>21.46</b>	<b>21.95</b>	<b>21.95</b>	Funding Changes	(6.82)	(6.82)	(6.82)	(6.82)	Use of Reserves	(1.00)				Budget and Inflationary Pressures	30.34	27.80	29.78	35.94	Draft Savings Proposals	(17.05)	(16.21)	(18.82)	(19.51)	<b>Forecast Budget Shortfall November 2022</b>	<b>28.90</b>	<b>26.23</b>	<b>26.10</b>	<b>31.57</b>
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37.	<p>The budget forecast update report on 8 November 2022 showed a shortfall of £28.9M for 2023/24 and a similar level of budget gap persisting over the medium term. However, at the time the report was published the Autumn Statement had not been announced and measures to address the budget shortfalls were still being pursued.</p> <p>A full update of the Medium Term Financial Strategy is provided as part of this report (Annex 1.1) and the following sections provide an update on the Council's resources, together with updated budget proposals and the outlook over the medium term.</p>																																			
	<b><u>Council Resources</u></b>																																			
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38.	The draft budget proposes an increase in 'core' council tax of 2.99% and an increase in the adult social care precept of 2.00% for 2023/24, in line with the referendum limits set by the government, which means that the overall charge for the Southampton City Council element of the council tax will increase to £1,726.47 for a Band D household, which is an																																			

	extra £1.58 per week. The full calculation is set out in Annex 1.2, which shows the council tax requirement for 2023/24 is £115.8M. Additional charges will be made by the Police and Fire authorities as set out in Annex 1.3.
39.	The Council currently estimates it is incurring £15.9M in total for the local council tax support scheme it operates, providing support to over 20,000 local council tax bills. The council has maintained support to residents on a low income from April 2014 at the same level, despite a reduction in the funding for our local council tax support scheme from central government. The Council will receive a £0.50M share of the Council Tax Support Fund in 2023/24, to be used to discount council tax bills for local council tax support claimants by up to £25. On top of this extra discount, the Council will also have a hardship fund of around £0.34M for targeted support. We will also be partnering with Wessex Community Bank to offer more financial support to individuals and community groups.
40.	The tax base has been calculated at 67,057 (Band D equivalents) for 2023/24, which represents an increase of 1.4% on the tax base applied in 2022/23 (an increase of around £1.6M in council tax income). The increase stems primarily from a rise in the estimated number of chargeable properties and a reduction in estimated discounts and exemptions, including for the removal of the discount of one month's council tax for landlords of empty and unfurnished properties.
41.	For planning purposes only, the MTFs includes the working assumption that the 'core' council tax charge will increase by 1.99% each year from 2024/25 and no increase in the adult social care precept has been assumed for future years.
	<b><u>Business Rates</u></b>
42.	Under the Business Rates Retention Scheme the Council will retain 49% of the business rates collected locally, with 1% going to the Hampshire and Isle of Wight Fire & Rescue Authority and 50% to central government. The Council's estimated share of business rates income (excluding government grant in lieu of rates) for 2023/24 is £47.5M. Rateable values have been revalued with effect from April 2023 and there is a government funded transitional relief scheme to ease the impact on businesses of any large increases. A freeze in the business rates multiplier for the third year running and an extension and increase of rate relief measures for the retail, hospitality and leisure sectors, as announced in the Autumn Statement 2022, will be funded by government grant.
43.	The business rates income estimates included in the MTFs assume some business rates growth from new commercial developments that are already in the pipeline, net of reductions in rateable values where known. Estimates for future years will change as new plans develop to add to the existing pipeline. The estimates also include assumptions about the level of empty property relief and provisions required for rateable value appeals.
44.	<b><u>Solent Freeport</u></b> The Solent Freeport went live in November 2022. The business rates income within the MTFs includes the starting 'baseline' position, however any growth in business rates in the designated tax sites across the Solent (including Redbridge within Southampton) will be pooled for use as agreed by the Freeport and is not included in the MTFs.

	<b><u>Government Grants</u></b>
45.	<p><b><u>Revenue Support Grant</u></b></p> <p>Following years of reductions due to austerity measures up to 2019/20, Revenue Support Grant (RSG) has seen 4 years of inflationary uplifts. For 2023/24 the inflationary uplift applied is £1.1M. In addition, £0.4M of specific grants have been rolled into RSG, taking it to £12.9M. However, this compares with an RSG allocation of £72.7M when the current funding system was first introduced in 2013/14.</p>
46.	<p><b><u>New Homes Bonus</u></b></p> <p>The scheme was expected to end in 2022/23, however the government has rolled it over for yet one more year, with the Council's allocation being £0.2M. The government have promised another consultation on the future of the scheme before the next local government finance settlement.</p>
47.	<p><b><u>Other Grants</u></b></p> <p>The Council's share of the extra resources for adult social care announced in the 2022 Autumn Statement is £4.1M for 2023/24 (£2.6M ASC Market Sustainability and Improvement Fund and £1.5M Adult Social Care Discharge Fund). This ring-fenced funding is being used to meet expenditure pressures within the service.</p> <p>The Council has seen an increase of £6.9M in its un-ringfenced Social Care Grant to £18.5M, which includes £0.4M of specific grant rolled in. Social Care Grant has become an increasingly important source of funding for the Council over recent years.</p> <p>Services Grant, which was a new funding stream in 2022/23, has been reduced by £1.6M to £2.2M for 2023/24 and the Lower Tier Services Grant (£0.5M in 2022/23) has been discontinued.</p> <p>Further details on government grants are provided in section 1.2.3 of the Medium Term Financial Strategy (Annex 1.1) and a schedule of key grants received by the Council is included at Annex 1.4.</p>
48.	<p>Chart 2 below shows how the Council's 2023/24 Net General Fund Budget of £221.5M is funded from council tax, business rates and non-specific government grants. Council tax revenue is the single most significant portion of council funding.</p>

49. Chart 2 Funding of 2023/24 Net General Fund Budget



**Previously Agreed Budget Changes**

50. The MTFs approved each year includes the impact of budget pressures, savings and Executive commitments (if any) for the 4 years of the MTFs. These previously agreed changes need to be borne in mind when considering any new proposals. Table 2 below summarises the previously agreed budget changes for 2023/24 to 2026/27, with further details provided in section 1.4.1 of the Medium Term Financial Strategy (Annex 1.1) and Annex 1.1(b).

51. Table 2 – Summary of Previously Agreed Budget Changes

	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M
Budget Pressures	55.38	55.14	55.80	55.80
Savings	(39.88)	(41.52)	(42.09)	(42.09)
Executive Commitments	10.63	10.54	10.60	10.60
<b>Total Previously Agreed Budget Changes</b>	<b>26.13</b>	<b>24.16</b>	<b>24.32</b>	<b>24.32</b>

Numbers are rounded

**Budget Pressures**

52. The budget forecast update report to Cabinet in November 2022 noted budget and inflationary pressures totalling £30.3M in 2023/24, of which £3.0M related to inflation/centrally held contingency and the remaining £27.3M to other budget pressures. Inflation and centrally held contingency are discussed in paragraphs 59 to 61. Table 3 below sets out the updated position for other budget pressures. These are mainly due to demand-led costs within social care (including previously agreed savings no longer being achievable), as well as pressures due to high energy costs, higher interest rates and other effects of the cost of living crisis.

53.	<p><b>Table 3 – Summary of Budget Pressures</b></p> <table border="1" data-bbox="217 241 1474 551"> <thead> <tr> <th data-bbox="217 241 868 320">Organisational Goal</th> <th data-bbox="868 241 1011 320">2023/24 £M</th> <th data-bbox="1011 241 1171 320">2024/25 £M</th> <th data-bbox="1171 241 1315 320">2025/26 £M</th> <th data-bbox="1315 241 1474 320">2026/27 £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 320 868 360">A prosperous city</td> <td data-bbox="868 320 1011 360">1.19</td> <td data-bbox="1011 320 1171 360">1.67</td> <td data-bbox="1171 320 1315 360">1.23</td> <td data-bbox="1315 320 1474 360">1.23</td> </tr> <tr> <td data-bbox="217 360 868 400">A proud and resilient city</td> <td data-bbox="868 360 1011 400">3.58</td> <td data-bbox="1011 360 1171 400">3.72</td> <td data-bbox="1171 360 1315 400">3.75</td> <td data-bbox="1315 360 1474 400">3.78</td> </tr> <tr> <td data-bbox="217 400 868 441">A successful, sustainable organisation</td> <td data-bbox="868 400 1011 441">3.57</td> <td data-bbox="1011 400 1171 441">3.18</td> <td data-bbox="1171 400 1315 441">2.93</td> <td data-bbox="1315 400 1474 441">3.14</td> </tr> <tr> <td data-bbox="217 441 868 481">Strong foundations for life</td> <td data-bbox="868 441 1011 481">18.09</td> <td data-bbox="1011 441 1171 481">14.43</td> <td data-bbox="1171 441 1315 481">13.83</td> <td data-bbox="1315 441 1474 481">13.83</td> </tr> <tr> <td data-bbox="217 481 868 521">Centrally held budgets and funding</td> <td data-bbox="868 481 1011 521">1.80</td> <td data-bbox="1011 481 1171 521">2.24</td> <td data-bbox="1171 481 1315 521">3.70</td> <td data-bbox="1315 481 1474 521">4.54</td> </tr> <tr> <td data-bbox="217 521 868 551"><b>Total Budget Pressures</b></td> <td data-bbox="868 521 1011 551"><b>28.22</b></td> <td data-bbox="1011 521 1171 551"><b>25.24</b></td> <td data-bbox="1171 521 1315 551"><b>25.44</b></td> <td data-bbox="1315 521 1474 551"><b>26.52</b></td> </tr> </tbody> </table> <p data-bbox="746 555 954 584">Numbers are rounded</p>	Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	A prosperous city	1.19	1.67	1.23	1.23	A proud and resilient city	3.58	3.72	3.75	3.78	A successful, sustainable organisation	3.57	3.18	2.93	3.14	Strong foundations for life	18.09	14.43	13.83	13.83	Centrally held budgets and funding	1.80	2.24	3.70	4.54	<b>Total Budget Pressures</b>	<b>28.22</b>	<b>25.24</b>	<b>25.44</b>	<b>26.52</b>
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54.	Details of the final budget pressures are provided in Annex 1.5.																																			
	<b><u>Savings</u></b>																																			
55.	The budget forecast update report to Cabinet in November 2022 noted draft savings proposals totalling £17.0M for 2023/24, of which £1.0M was the subject of a budget consultation exercise. The emphasis on savings continues to be on driving through efficiencies and costs reductions with a view to protecting front line services and council priorities and the remaining £16.0M related to efficiency measures (£12.6M), income generation proposals (£1.3M) and other savings (£2.1M).																																			
56.	Further work has been on-going to firm up the draft savings proposals and identify further ways of meeting the budget shortfall outlined in the November report. Table 4 below gives a summary of the updated position. Details of the final savings proposals are included at Annex 1.6, with additional information on the part-night street lighting proposal at Annex 1.7.																																			
57.	<p><b>Table 4 – Summary of Savings Proposals</b></p> <table border="1" data-bbox="217 1196 1474 1505"> <thead> <tr> <th data-bbox="217 1196 868 1274">Organisational Goal</th> <th data-bbox="868 1196 1011 1274">2023/24 £M</th> <th data-bbox="1011 1196 1171 1274">2024/25 £M</th> <th data-bbox="1171 1196 1315 1274">2025/26 £M</th> <th data-bbox="1315 1196 1474 1274">2026/27 £M</th> </tr> </thead> <tbody> <tr> <td data-bbox="217 1274 868 1314">A prosperous city</td> <td data-bbox="868 1274 1011 1314">(3.03)</td> <td data-bbox="1011 1274 1171 1314">(1.71)</td> <td data-bbox="1171 1274 1315 1314">(1.71)</td> <td data-bbox="1315 1274 1474 1314">(1.71)</td> </tr> <tr> <td data-bbox="217 1314 868 1355">A proud and resilient city</td> <td data-bbox="868 1314 1011 1355">(0.99)</td> <td data-bbox="1011 1314 1171 1355">(1.00)</td> <td data-bbox="1171 1314 1315 1355">(0.97)</td> <td data-bbox="1315 1314 1474 1355">(0.94)</td> </tr> <tr> <td data-bbox="217 1355 868 1395">A successful, sustainable organisation</td> <td data-bbox="868 1355 1011 1395">(5.07)</td> <td data-bbox="1011 1355 1171 1395">(5.38)</td> <td data-bbox="1171 1355 1315 1395">(5.97)</td> <td data-bbox="1315 1355 1474 1395">(6.16)</td> </tr> <tr> <td data-bbox="217 1395 868 1435">Strong foundations for life</td> <td data-bbox="868 1395 1011 1435">(2.48)</td> <td data-bbox="1011 1395 1171 1435">(2.98)</td> <td data-bbox="1171 1395 1315 1435">(2.48)</td> <td data-bbox="1315 1395 1474 1435">(2.48)</td> </tr> <tr> <td data-bbox="217 1435 868 1476">Centrally held budgets and funding</td> <td data-bbox="868 1435 1011 1476">(10.46)</td> <td data-bbox="1011 1435 1171 1476">(8.11)</td> <td data-bbox="1171 1435 1315 1476">(8.06)</td> <td data-bbox="1315 1435 1474 1476">(7.98)</td> </tr> <tr> <td data-bbox="217 1476 868 1505"><b>Total Savings</b></td> <td data-bbox="868 1476 1011 1505"><b>(22.03)</b></td> <td data-bbox="1011 1476 1171 1505"><b>(19.17)</b></td> <td data-bbox="1171 1476 1315 1505"><b>(19.19)</b></td> <td data-bbox="1315 1476 1474 1505"><b>(19.27)</b></td> </tr> </tbody> </table> <p data-bbox="746 1509 954 1538">Numbers are rounded</p>	Organisational Goal	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	A prosperous city	(3.03)	(1.71)	(1.71)	(1.71)	A proud and resilient city	(0.99)	(1.00)	(0.97)	(0.94)	A successful, sustainable organisation	(5.07)	(5.38)	(5.97)	(6.16)	Strong foundations for life	(2.48)	(2.98)	(2.48)	(2.48)	Centrally held budgets and funding	(10.46)	(8.11)	(8.06)	(7.98)	<b>Total Savings</b>	<b>(22.03)</b>	<b>(19.17)</b>	<b>(19.19)</b>	<b>(19.27)</b>
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58.	It should be noted that some of the proposed savings relating to 2024/25 onwards are subject to further consultation.																																			
	<b><u>Other MTFS Amendments</u></b>																																			
59.	<p><b><u>Inflation</u></b></p> <p>The continuing high level of inflation being experienced nationally is impacting on the Council’s contract and pay costs. £6.0M has been allocated from the central inflationary pressures budget for 2023/24 for estimated inflation on contracts. No allocation has been made for 2023/24 pay awards, pending agreement of pay settlements, however £4.9M (4.0%) has been allowed for within the budget. £1.1M previously set aside for the 1.25% increase in the employer’s national insurance contribution rate (the Health and Social Care Levy) has been released as a saving.</p>																																			

	The central inflationary pressures budget has been topped-up by £4.9M in 2023/24, rising to £17.8M in 2026/27, to provide sufficient cover for these allocations and likely calls on the budget, including adult social care contracts inflation from 2024/25. In addition, £4.5M has been transferred from centrally held contingency to help meet the costs of the 2022/23 pay award.
60.	<b><u>Employer's Pension Contributions</u></b> The Local Government Pension Scheme (LGPS) employer's contribution rate applicable from April 2023 to March 2026 is 16.8%, reflecting the decision to use the surplus above a funding level of 105% to lower the contribution rate over the next three years. The reduction in employer's contribution (circa £1.3M pa) is included within the savings.
61.	<b><u>Centrally Held Contingency</u></b> The contingency budget previously available was used in meeting the 2022/23 pay award, as noted above. The budget has been topped up to £5.2M in 2023/24 to provide cover for potential cost pressures.
	<b><u>Capital Asset Management</u></b>
62.	Capital financing costs are met from the Capital Asset Management budget held centrally within the Council. Estimates have been updated in line with the latest capital programme detailed in Appendix 2 of this report and reflect savings being made through reviewing and rephrasing the programme as well as additional costs from higher interest rates. Further details regarding capital financing assumptions are included in the Treasury Management Strategy and Prudential Limits report to Governance Committee on 13 February 2023.
63.	Interest rate forecasts will continue to be monitored and their impact on major projects and the capital programme kept under scrutiny.
	<b><u>Balances and Earmarked Reserves</u></b>
64.	The current General Fund Balance of £10.1M is considered to be appropriate to cover for unforeseen events and financial risks not provided for elsewhere.
65.	The budget strategy involves using a very significant proportion of reserves to balance the budget for 2023/24. Earmarked reserves (excluding schools' balances) are projected to reduce from £96.2M (including £20.9M revenue grants carried forward mainly relating to COVID-19) at the start of 2022/23 to £20.7M by the end of 2023/24 (including the uncommitted MTR reserve at £10.3M). See paragraphs 20 to 45 of the main report for the S151 Officer's statement on the adequacy of reserves. A contribution of £2M a year from 2024/25 onwards has been assumed in the MTRFS to help replenish corporate reserves. These figures exclude a cumulative deficit on the Dedicated Schools Grant being held in a separate account in accordance with regulations, which is forecast to be £10.2M at the end of 2022/23. The government has recently extended this statutory override to the end of 2025/26, however there is still a risk that if not eradicated the deficit will fall to be included within earmarked reserves in 2026/27.
66.	Table 5 summarises the net use of corporate reserves included within the 2023/24 budget proposals. No contributions to or from reserves for 2023/24 had been agreed in previous budget rounds.

67.	<p><b>Table 5 – Use of Corporate Reserves</b></p> <table border="1" data-bbox="217 241 1265 434"> <thead> <tr> <th></th> <th style="text-align: right;"><b>2023/24 £M</b></th> </tr> </thead> <tbody> <tr> <td>Net use of reserves (excluding Collection Fund timing differences)</td> <td style="text-align: right;">(23.73)</td> </tr> <tr> <td>Net use of reserves for Collection Fund timing differences</td> <td style="text-align: right;">3.12</td> </tr> <tr> <td><b>Net contribution from reserves</b></td> <td style="text-align: right;"><b>(20.62)</b></td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>		<b>2023/24 £M</b>	Net use of reserves (excluding Collection Fund timing differences)	(23.73)	Net use of reserves for Collection Fund timing differences	3.12	<b>Net contribution from reserves</b>	<b>(20.62)</b>																																
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68.	Further details on the forecast reserves balances and use of corporate reserves are provided in section 1.5 of the Medium Term Financial Strategy (Annex 1.1).																																								
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69.	Table 6 below summarises the changes since the position reported to Cabinet in November 2022, with more details provided in Annex 1.8.																																								
70.	<p><b>Table 6 – Summary of Changes</b></p> <table border="1" data-bbox="217 770 1493 1144"> <thead> <tr> <th></th> <th style="text-align: right;"><b>2023/24 £M</b></th> <th style="text-align: right;"><b>2024/25 £M</b></th> <th style="text-align: right;"><b>2025/26 £M</b></th> <th style="text-align: right;"><b>2026/27 £M</b></th> </tr> </thead> <tbody> <tr> <td><b>Forecast Budget Shortfall November 2022</b></td> <td style="text-align: right;"><b>28.90</b></td> <td style="text-align: right;"><b>26.23</b></td> <td style="text-align: right;"><b>26.10</b></td> <td style="text-align: right;"><b>31.57</b></td> </tr> <tr> <td>Funding Changes</td> <td style="text-align: right;">(6.56)</td> <td style="text-align: right;">(11.91)</td> <td style="text-align: right;">(13.38)</td> <td style="text-align: right;">(19.38)</td> </tr> <tr> <td>Use of Reserves</td> <td style="text-align: right;">(21.99)</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">2.00</td> <td style="text-align: right;">2.00</td> </tr> <tr> <td>New/Amended Budget and Inflationary Pressures</td> <td style="text-align: right;">7.92</td> <td style="text-align: right;">13.24</td> <td style="text-align: right;">11.72</td> <td style="text-align: right;">13.96</td> </tr> <tr> <td>New/Amended Savings Proposals</td> <td style="text-align: right;">(4.98)</td> <td style="text-align: right;">(2.96)</td> <td style="text-align: right;">(0.37)</td> <td style="text-align: right;">0.24</td> </tr> <tr> <td>Additional Council Tax/Adult Social Care Precept Flexibilities</td> <td style="text-align: right;">(3.29)</td> <td style="text-align: right;">(3.38)</td> <td style="text-align: right;">(3.50)</td> <td style="text-align: right;">(3.60)</td> </tr> <tr> <td><b>Amended Budget Shortfall February 2023</b></td> <td style="text-align: right;"><b>0.00</b></td> <td style="text-align: right;"><b>21.22</b></td> <td style="text-align: right;"><b>22.56</b></td> <td style="text-align: right;"><b>24.79</b></td> </tr> </tbody> </table> <p style="text-align: center;">Numbers are rounded</p>		<b>2023/24 £M</b>	<b>2024/25 £M</b>	<b>2025/26 £M</b>	<b>2026/27 £M</b>	<b>Forecast Budget Shortfall November 2022</b>	<b>28.90</b>	<b>26.23</b>	<b>26.10</b>	<b>31.57</b>	Funding Changes	(6.56)	(11.91)	(13.38)	(19.38)	Use of Reserves	(21.99)	0.00	2.00	2.00	New/Amended Budget and Inflationary Pressures	7.92	13.24	11.72	13.96	New/Amended Savings Proposals	(4.98)	(2.96)	(0.37)	0.24	Additional Council Tax/Adult Social Care Precept Flexibilities	(3.29)	(3.38)	(3.50)	(3.60)	<b>Amended Budget Shortfall February 2023</b>	<b>0.00</b>	<b>21.22</b>	<b>22.56</b>	<b>24.79</b>
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71.	Details of the 2023/24 budget by service activity, showing budget adjustments being made in this budget round, are included at Annex 1.9.																																								
72.	The updated position over the period of the MTFs shows forecast net expenditure being around £21M a year more than the forecast funding available from 2024/25 onwards, as set out in table 7.																																								
73.	<p><b>Table 7 – Forecast Budget Shortfall</b></p> <table border="1" data-bbox="217 1456 1493 1688"> <thead> <tr> <th></th> <th style="text-align: right;"><b>2023/24 £M</b></th> <th style="text-align: right;"><b>2024/25 £M</b></th> <th style="text-align: right;"><b>2025/26 £M</b></th> <th style="text-align: right;"><b>2026/27 £M</b></th> </tr> </thead> <tbody> <tr> <td>Net Expenditure</td> <td style="text-align: right;">221.45</td> <td style="text-align: right;">250.50</td> <td style="text-align: right;">258.26</td> <td style="text-align: right;">266.58</td> </tr> <tr> <td>Funding</td> <td style="text-align: right;">(221.45)</td> <td style="text-align: right;">(229.28)</td> <td style="text-align: right;">(235.70)</td> <td style="text-align: right;">(241.79)</td> </tr> <tr> <td><b>Forecast Budget Shortfall</b></td> <td style="text-align: right;"><b>0.00</b></td> <td style="text-align: right;"><b>21.22</b></td> <td style="text-align: right;"><b>22.56</b></td> <td style="text-align: right;"><b>24.79</b></td> </tr> </tbody> </table>		<b>2023/24 £M</b>	<b>2024/25 £M</b>	<b>2025/26 £M</b>	<b>2026/27 £M</b>	Net Expenditure	221.45	250.50	258.26	266.58	Funding	(221.45)	(229.28)	(235.70)	(241.79)	<b>Forecast Budget Shortfall</b>	<b>0.00</b>	<b>21.22</b>	<b>22.56</b>	<b>24.79</b>																				
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74.	<p>For 2024/25 onwards, the medium term forecast does not include anything for government reward for housing growth and council tax is only assumed to increase by 1.99% a year. If either of these assumptions is more favourable than anticipated this would reduce the budget shortfall. Conversely, there are numerous downside risks to the medium term forecast as set out in section 1.9 of the Medium Term Financial Strategy (Annex 1.1).</p> <p>Corporate reserves are being depleted to meet the forecast 2022/23 in-year deficit and balance the budget in 2023/24, therefore there are insufficient reserves to help offset budget shortfalls in future years.</p>																																								

75.	Annex 1.1(a) to the Medium Term Financial Strategy (Annex 1.1) summarises the 2023/24 budget and projections for 2024/25, 2025/26 and 2026/27 by organisational goals, centrally held budgets and sources of funding. Annex 1.1(c) provides details of the medium term financial forecast by service activity.
76.	Work on reducing the call on reserves and on addressing the budget shortfalls in future will continue.
	<b>Summary and Outlook</b>
77.	<p>The 2023/24 revenue budget addresses the severe budgetary pressures being faced by the Council however a significant proportion of available reserves is being used to balance the budget. The 2023/24 budget includes:</p> <ul style="list-style-type: none"> <li>• £28.2M of additional investment on service and other pressures to ensure services can continue to meet demand, contractual and legal requirements.</li> <li>• £22.0M of new savings measures to help balance the budget.</li> <li>• Draws on £20.6M of available reserves to support the budget, which includes £1.9M of sums carried forward from earlier years.</li> </ul>
78.	<p>The budget is only balanced for one year, with forecasts showing a £21.2M shortfall for 2024/25, increasing to £24.8M by 2026/27. This represents a major financial challenge and significant threat to the financial sustainability of the Council. With reserves insufficient to deal with the shortfall in 2024/25, it will require continued work and focus on savings and income generation. As highlighted in the S25 statement from the S151 Officer, the draft budget leaves the authority with inadequate reserves and very major financial risks. The ability of the Council to cope with any continued pressure on budgets, any significant non-delivery of savings or further inflationary pressures on pay or other costs has been greatly reduced. As set out in the main report, there is a need to continue taking both action as soon as possible to deal with the financial challenges and risks being faced in 2023/24, as well as address the longer term the significant budget gap for 2024/25 onwards, starting at a shortfall of £21.2M for that year, as outlined in the MTFS.</p>
<b>Annexes</b>	
1.	Medium Term Financial Strategy
2.	2023/24 Council Tax Calculation
3.	2023/24 Council Tax Collection Fund Estimates
4.	Government Grants
5.	Budget Pressures
6.	Savings Proposals
7.	Part-Night Street Lighting
8.	Movements in Budget Shortfall
9.	2023/24 Net Revenue Expenditure Budget Adjustments by Service Activity