

Member Report

Budget Proposals - 2023/24



Report to: Cabinet
Report from: Managing Director
Portfolio: Resources
Report Date: 20 December 2022
Decision Type: Key – Budget
Forward Plan Reference: RD0106
Council Priority: All

HEADLINE POSITION

1.0 Summary of report

- 1.1** This report sets out Cabinet's budget proposals for the forthcoming 2023/24 financial year along with an indicative medium term financial plan through to 2027/28. These proposals will be consulted on, with a final 2023/24 budget and council tax level recommended by Cabinet to full Council for approval on 23 February 2023.
- 1.2** We will consult with the public and businesses over our budget. It proposes an extensive savings programme in order to help cater for the significant impact of inflation and increasing demand on the budgets of almost all of the council's services.

2.0 Recommendation

It is recommended that Cabinet:

- Approve for consultation the revenue budget for 2023/24 and indicative medium term financial plan through to 2027/28, as set out in this report
- Agree to consult on the investment programme with businesses in the borough
- Agree to consult on a 1.99% increase to Council Tax
- Agree to consult on a 2% increase to the Adult Social Care Precept

DETAILED PROPOSALS

3.0 What are the objectives of the report and how do they link to the Council's priorities

The medium-term financial strategy and budget proposals for 2022/23 are integral to the Council's ability to deliver the entirety of the Corporate Plan, ensuring the financial resources available to the Council come together in a robust plan to fund the agreed priorities.

Well planned revenue, capital and treasury activities are also essential in ensuring the medium term financial strategy of the Council is robust and promotes financial resilience and sustainability.

4.0 What options have been considered

4.1 Approach and Key Principles

The current approved medium term financial strategy (MTFS) runs to the end of the 2026/27 financial year. In line with best practice, this has been extended through to 2027/28 to maintain a 5-year financial planning horizon.

- 4.2 One of the top twelve commitments underpinning the delivery of the council's priorities within the corporate plan has been a focus on financial resilience and sustainability. This principle has been adopted in the current MTFS, seeking to fund permanent commitments on a permanent basis to promote sustainability, and to protect reserve levels where possible to maintain resilience.
- 4.3 Due to the current economic conditions this has become more challenging, with a fundamental refresh of the MTFS being required in order to address the financial challenges facing the council.
- 4.4 Inflation has risen sharply, due to supply chains struggling to keep pace with demand following the pandemic, added to by the conflict in Ukraine causing further shortages in key commodities.
- 4.5 When the Government undertook their Comprehensive Spending Review in October 2021, which includes an assessment of the funding requirements of local government, the rate of CPI was forecast to peak at 4% in 2022. The most recent CPI stands at 11.1%, the highest it has been for 40 years, and is forecast to remain high into next year. Clearly the financial settlement received for 2022/23 does not cater for this.
- 4.6. The high levels of inflation are causing some significant pressures on the Council's budgets, with significant cost increases for energy, fuel, labour, construction, and other general costs.
- 4.7 In response to growing inflation, the Bank of England has increased base interest rates, which is feeding into higher interest rates for borrowing, which the Council needs to use to fund the Capital Investment Programme. This will increase the capital financing costs of the Council compared to budgeted assumptions.
- 4.8 There is also increasing demand for some council services, influenced by the aftereffects of the pandemic and cost of living pressures, with the impact being felt particularly within children's social care and home to school transport.
- 4.9 These pressures will continue into next year and be added to with further inflationary rises. Left unmitigated the pressures next year would significantly deplete reserves and leave an unsustainable financial position still to be resolved. We, along with the rest of the local government sector, have lobbied government on the need for additional funding to protect services and address the extraordinary inflationary impact being experienced currently.

4.10 The Chancellor's autumn statement has recognised to some extent the pressures being experienced specifically for social care but does not address the full breadth and scale of the financial challenges facing councils. It has therefore been necessary to develop savings proposals, to ensure essential services can be maintained and the Council's financial position remains sustainable and resilient across the medium term.

4.11 **Revenue Budget Proposals**

The revenue budget has three key building blocks:

- Income and Funding
- Services Investments
- Driving Change Savings

4.12 The assumptions within this budget proposals report have been informed by a process of analysis and due diligence of the available evidence and intelligence, including the involvement of key service managers right across the council. It will be necessary to validate and refine these assumptions as more information becomes available, in particular governments announcement of the local government finance settlement.

INCOME AND FUNDING

4.13 **Government Funding**

Government announced their spending review on 27 October 2021 which covered the three years 2022/23 to 2024/25. This included no additional funding in years 2023/24 and 2024/25, with the increase in core spending power for councils in these years being attributable to assumed increases in council tax levels.

4.14 Given the economic volatility of the last few months, there was a need for government to refresh its fiscal plans to calm the financial markets and produce economically credible plans to rebalance the national finances including addressing a forecast budget gap of £55 billion. The Chancellor's autumn statement on 17 November 2022 set out the government's plans regarding this, with the just under half of the gap being addressing through taxation measures and the remainder through spending restraint.

4.15 The key highlights for local government from the autumn statement are:

- No change in the allocations from SR21 means that the Settlement Funding Assessment should remain unchanged in 2023-24 and 2024-25, i.e. no additional funding. Departments to "make efficiencies to deal with inflationary pressures in next two years".
- Looking further ahead, the trend growth rate for spending in the next spending round (from 2025-26) has been scaled back. The implied rate now for unprotected services from 2025-26 onwards is annual reductions of 0.7% in real terms, showing that spending allocations are likely to be very tight for the foreseeable future.
- As an exception, resources for adult social care will increase by £2.8bn in

2023-24 and by £4.7bn in 2024-25, through a combination of the Adult Social Care precept (2%), new money (£1bn in 2023-24), and the postponement of the adult social care charging reforms.

- Additional grant funding for the council is estimated for the purposes of this budget proposals report at £4.2 million in 2023/24 growing to £6.3 million in 2024/25. These estimates will need to be revised as necessary in line with the finance settlement when it is released.
- The Band D “core” threshold has increased, giving all local authority classes the opportunity to increase Band D by 2.99% in 2023-24 rather than 1.99% in the current year.
- Adult Social Care Precept threshold will increase from 1% to 2%.
- The 1.25% increase in National Insurance Contributions (Health and Social Care Levy) was cancelled in September’s Mini Budget (and the reversal has now been implemented). Funding was provided to public bodies by the Treasury. Funding is now being clawed-back by the Treasury following decision to reverse NICs increases.
- Residents
 - Both benefits and pensions will increase in line with CPI (10.1%), and the triple-lock on pensions will be preserved.
 - There will be continued support for energy, although the scheme will be less generous from April 2023 (the cap will increase from £2,500 to £3,000)
 - Further targeted energy support payments on a means-tested basis.
 - Social rents capped below inflation (7%).
 - National Living Wage increasing by 9.7% to £10.42 per hour.
 - Household Support Fund to be extended over 2023/24.
- Businesses
 - For Business Rates - a package of reliefs and support to help businesses worth £14bn over two years. The 2023 Revaluation will go ahead as planned, and the measures are designed to help offset the impact of the revaluation as well as other financial pressures on businesses.
 - Transitional relief scheme (government funded) for 2023 Revaluation (£1.2bn in 2023-24). This has no effect on billing authorities, it simply makes the transitional support scheme more generous.
 - 75% relief for Retail, Hospitality and Leisure (RHL) sectors in 2023-24 (£2.3bn in 2023-24). Local authorities will be compensated in the usual way through s31 grants.
 - 3-year support for small businesses (scheme for properties losing Small Business Rates Relief or Rural Rates Relief) (£190m per year for 3 years). Again, local authorities will be fully compensated.
 - Freezing the business rates multiplier (£1.7bn in 2023-24 rising in future years) - will include cap compensation payments to local government through s31 grants.
 - Additional grant funding for the council is estimated for the purposes of this budget proposals report at £3.3 million in 2023/24 growing to £4.4 million in 2024/25. These estimates will need to be revised as necessary in line with the finance settlement when it is released.

4.16 The Local Government Finance Settlement is expected to be announced week commencing 19 December 2022. The Department for Levelling Up, Housing and Communities (DLUHC) will set out full details including the proposed approach to allocating grant funding through the Local Government Finance Settlement. Estimates have been used for the purposes of these budget proposals. Any required updates following the announcement of the settlement will be reported through to Cabinet and incorporated into the final budget put forward for full Council approval on 23 February 2023.

4.17 Fees & Charges

Fees and charges provide an important income stream to the Council and are an essential element of the MTFs. Proposals for 2023/24 are set out in a separate report to Cabinet for approval. The high levels of inflation are causing some significant pressures on the cost of council services, with significant increases for energy, fuel, labour, construction, and other general costs. It has therefore been necessary to do a more fundamental review of the fees we charge for some of the services we deliver, to maintain services levels on a sustainable basis. The forecast income generated in support of the MTFs is set out in the savings proposals appended to this report.

4.18 Council Tax

The breakdown of the changes to the council tax base and the forecast deficit on the collection fund impacting on 2023/24 are detailed in the council tax base report to this Cabinet meeting and have been incorporated into these budget proposals.

4.19 In summary the tax base has increased by 370 compared to a growth forecast within the MTFs of 316, resulting in a gain of £0.097 million. In addition, there is a forecast deficit on the collection fund relating to council tax, with an amount of £1.301 million to be addressed in 2023/24. This is allowing for the legislated government mechanism for recovering deficits built up in 2020/21 due to covid over a three-year period, with £0.585 million needing to be funded in 2023/34.

4.20 Analysis of trends of council tax discounts and housing forecasts has informed a forecast of 250-350 Band D equivalent growth p.a. in the council tax base in future years, equating to £0.440 million to £0.610 million.

4.21 The autumn statement has indicated that the referendum limit on council tax rises for 2023-24 will be 3% along with an additional 2% social care precept. As in recent years, the government have made clear that council tax rises are expected to be a key feature in councils achieving balanced budgets, representing the majority of the stated increase in core spending power for local government across the spending review period.

4.22 In this context, and with the anticipated pressures on services set out later in this report, these budget proposals are based on a 1.99% increase to council tax and a 2% increase for the adult social care precept in 2023/24, as reflected in the recommendations of this report. Future years are based on indicative increases of 1.99% to council tax and 1% for the adult social care precept at this point but are subject to review as and when threshold limits are set out for those years.

4.23 **Business Rates**

The business rates base and forecast collection fund balance are due to be finalised and brought to Cabinet for approval on 31 January 2023, in order to feed into the final budget taken to Council for approval on 23 February 2023. After adjusting for compensating grant from government relating to additional national reliefs and the three-year spread of 2020/21 deficits caused by covid as described in the council tax section above, the forecast deficit to be addressed in the council's 2023/24 budget is £1.004 million, due mainly to an increase in the provision for appeals for large business. This forecast has been factored into these budget proposals, covered by safety net grant held in reserve, but will be kept under review until the final position is approved in February 2023.

- 4.24 With the government's planned reform of local government finances being delayed beyond the current spending review period, no resetting of business rates baselines is expected until after 2024/25. Business Rates levels are currently forecast to remain stable through to 2024/25, from when working growth estimates of £1.5 million in 2025/26 and £1 million in 2026/27 are included based on the broad assumptions of anticipated developments on the Freeport site. We will monitor the forecasts and delivery of developments on the site and refine our assumptions accordingly across the period of this MTFS.

SERVICE INVESTMENTS

- 4.25 The Council's approach to its MTFS looks to recognise the pressures faced on service delivery and ensure that additional investment into services is managed to cater for the required increases and policy decisions, in line with our corporate priorities and commitments. The list of proposed service investments within the revenue budget over the next five years, totalling £50.251 million, is set out in Appendix 1, with the main items described below. This is particularly front loaded into next year and to some extent the year after due to the impact of the current 40-year high inflation levels on the cost of the council's services.
- 4.26 Nationally, due to on-going demographic and price pressures, adult and children's social care have increased their share of overall service spend from 59% in 2010-11 to 69% in 2019-20. Whilst our services do pursue early intervention and prevention strategies to enable more children and older people to live safely at home with the right support at the right time, the upward pressure on spend is continuing, exacerbated by current inflation, and in order to maintain statutory service levels and deliver on our priority of meeting residents' needs, extra investment is required. National Living Wage levels is a key cost driver, particularly within adult social care, and our estimates reflect the 9.7% rise from £9.50 to £10.42 in 2023/24, and future years increases towards the government's target of two thirds of median earnings by 2024.
- 4.27 Additional investment within Children and Families has also been provided for current cost pressures in children in our care and home to school transport that are expected to feed through into next year's budget position. There is also provision for additional demand coming through in year.
- 4.28 The exceptionally high level of inflation has impacted on pay costs. The recently

approved pay award for 2022/23 equates to an average uplift of 6.75% which far exceeds the 2% budgeted. Additional investment is therefore required in the 2023/24 budget to catch up to current pay levels and cater for a higher than anticipated pay award in 2023/24 (4%) with inflation expected to still be high. Energy and fuel costs have also seen significant increases this year, which now need to be catered for in the 2023/24 budget.

- 4.29 In response to growing inflation, the Bank of England base rate has risen significantly and rapidly to 3% in early November, contributing to higher interest rates for borrowing, which the Council needs to use to fund the Capital Investment Programme. This has increased the capital financing costs of the Council compared to budgeted assumptions, which has had to be catered for across the medium-term financial plan period. Some mitigation and risk reduction has been secured in recent months by refinancing much of the council's existing short-term borrowing over the longer-term before the more recent interest rate increases.
- 4.30 Other provisions have been made to cater for various inflation impacts, plus some funding and income changes.

DRIVING CHANGE SAVINGS

- 4.31 As part of setting out a sustainable MTFs, savings have been identified to be delivered over the term of the plan totalling £10.717 million. These are set out at Appendices 2a & 2b. Savings plans are front loaded into next year with some accruing the year after, to help towards addressing the significant pressures on the council's finances in these years.
- 4.32 In order to address the significant financial pressures facing the council it has been necessary to review expenditure and income across the full range of council services. This review has been structured into the five themes of
- Buildings and accommodation
 - Changes to service provision
 - Invest to save
 - Fees & charges, and contractual arrangements
 - Improving business efficiency
- 4.33 An all-member budget conference was held on 07 November to discuss the council's financial challenge and consider potential solutions under these five themes. Our staff have also been asked to put forward savings suggestions. The responses received have helped to inform Cabinet's budget proposals and are set out at appendices 4a and 4b for information.
- 4.34 The savings proposals set out at appendix 2a are considered to have minimal or no impact on front line service delivery levels and require no further consultation ahead of consideration by full council as part of 2023/24 budget. Some internal consultation may be required prior to implementation if there is any significant impact on employees, and this will be managed in line with HR policies as appropriate.
- 4.35 The savings proposals set out at appendix 2b are considered to potentially affect

front line service delivery levels. These will be subject to the impact assessment process and consultation either prior to full council considering the 2023/24 budget, or during 2023/24 for implementation in that year.

- 4.36 If it becomes apparent that any movement is required between appendices, further work will be undertaken as appropriate. The estimated profiling of savings delivery has sought to cater for the time required for consultation and implementation. Savings proposals will be subject to robust governance and monitoring of delivery, but if any of the proposed savings are subsequently deemed not to be achievable in full, then alternative savings will need to be considered to support the budget.

Summary of Revenue MTFS position

- 4.37 The current approved medium term financial strategy presented a balanced position across the 5 years through to 2026/27. These budget proposals extend the plan through to 2027/28 to maintain a 5-year financial planning horizon and refresh the underlying assumptions across the three key building blocks of Income and Funding, Services Investments, and Driving Change Savings, as per the information contained within this report.

- 4.38 The refreshed MTFS through to 2027/28, based on the estimates within these budget proposals, produces the following financial position:

Revenue Position	2023/24	2024/25	2025/26	2026/27	2027/28
Potential budget gap due to additional pressures	16.919	23.587	24.333	25.290	26.017
Estimated additional government grant to compensate for freezing of business rates multiplier	-3.300	-4.400	-4.400	-4.400	-4.400
Estimated additional social care grant from government	-4.200	-6.320	-6.320	-6.320	-6.320
Proposed 2% adult social care precept (extra £0.7m over 1% planned previously)	-0.700	-0.700	-0.700	-0.700	-0.700
Proposed savings	-7.053	-9.797	-10.042	-10.417	-10.717
(Surplus) / Deficit balance	1.666	2.370	2.871	3.453	3.880

- 4.39 These estimated balances will be refreshed in line with the further detail to be announced in the local government finance settlement, prior to the final budget being presented to full council for approval in February. Any deficit balance will be managed through reserves in the short-term whilst permanent solutions are sought, as necessary.
- 4.40 It should be noted that even following the local government finance settlement being announced, there remains a level of uncertainty and risk regarding the assumptions underpinning the MTFS, with global issues directly impacting the council's finances through inflation and interest rates and indirectly with the performance of the national economy influencing government fiscal policy and spending decisions. This uncertainty is naturally greater in the later years of the MTFS.

Capital Investment Programme

- 4.41 The council manages its capital investments programme on a rolling basis, with an on-going programme of investments in our infrastructure alongside a range of investments to stimulate sustainable growth. These proposals follow a refresh of our investments programme to ensure alignment to the council's priorities and to the five-year planning horizon of the revenue budget. The five-year planning timescale necessitates that some of the investment programme is indicative at this stage and will therefore remain under constant review as we firm up and appraise plans and proposals including funding opportunities, business case credentials and overall impact on financial sustainability.
- 4.42 The table below summarises the £138.550 million of investment proposed through to 2027/28, with scheme level detail set out at Appendix 3.

Capital Block	2022/23 £	2023/24 £	2024/25 £	2025/26 £	2026/27 £	2027/28 £	Total £
Town Scape Investment	11,008,550	18,656,200	11,765,000	311,000	100,000	100,000	41,940,750
Visitor Attractions & Amenities	3,474,750	7,536,250	0	0	0	0	11,011,000
Business Infrastructure	3,172,650	4,063,350	0	0	0	0	7,236,000
Transport Infrastructure	6,368,100	5,609,400	5,419,400	5,419,400	4,969,400	3,419,600	31,205,300
Housing	1,295,450	0	0	0	0	0	1,295,450
Supported Housing	1,810,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	10,310,000
Community Capacity	376,100	0	0	0	0	0	376,100
Recycling & Waste Initiatives	505,150	350,000	100,000	100,000	100,000	100,000	1,255,150
Education	3,777,650	654,250	225,000	225,000	175,000	175,000	5,231,900
Council Investments	4,598,100	6,200,900	4,426,150	4,485,100	4,489,450	4,489,450	28,689,150
TOTAL	36,386,500	44,770,350	23,635,550	12,240,500	11,533,850	9,984,050	138,550,800

- 4.43 The impact of recent rises in interest rates have resulted in rising costs of borrowing over and above original budgeted estimates. The costs of borrowing to fund the Council's Capital Investment Programme will be much more expensive going forwards, and therefore a review of options to reduce the reliance on borrowing has been undertaken. This review has looked at options to increase external funding sources (including grants and capital receipts), reduce the scope of the capital investment programme, delay the timing of spend and seeking to prioritise borrowing where a saving, or cost avoidance can be achieved.
- 4.44 Aiming to strike the right balance between achieving our growth and regeneration aspirations and invest in the infrastructure needed to deliver our services, whilst also helping to manage the council's borrowing requirements; the refreshed investment programme has reduced its borrowing requirement by c£5 million. The main areas where this has been achieved are in school estate, highways, and drainage from managing and prioritising within the grant funding available, and I.T. from prioritising essential infrastructure maintenance and replacement.
- 4.45 In line with our aims to reduce carbon emissions specific investment is retained to underpin actions within our Climate Change Strategy, including development

of renewable energy projects, support for sustainable transport infrastructure and more tree planting on an on-going basis.

- 4.46 This complements the on-going investment in our IT infrastructure that allows us to operate more flexibly, reducing the need for building space and travel. Our fleet replacement programme allows our older vehicles to be replaced with cleaner ones, with more electric vehicles and alternative fuels being trialled and integrated into the fleet. The on-going investment in the planned maintenance of our buildings includes provision to make them more energy efficient as we undertake these works, and grant funding will continue to be sought for accelerated decarbonisation works on some of our buildings. Green Homes grant will see energy efficiency improvements to some homes being made, and investment is planned to improve recycling rates and active travel routes within the borough.
- 4.47 In meeting residents' needs there is on-going investment in disabled facilities and adaptations to allow people to live more independently in their own homes. Investment has been made in supporting our children in care through our no-wrong door approach and moving on accommodation. Further investment in our school estate is planned, expanding existing school provision, and creating new, to meet the educational needs of our young people. Investment is also planned to provide new swimming baths in Eston.
- 4.48 We have extensive plans to improve the physical appearance of the borough and enhance prosperity. Significant investment in our towns is taking place, including through the Redcar Town Fund and Loftus Future High Streets Fund. Our cultural and visitor offer has been improved through schemes like The Regent, Guisborough town hall, and Cleveland ironstone mining museum. Investment is also planned to support business growth, with our industrial estates programme creating the infrastructure needed.
- 4.49 Our approach to investing for the longer term is also reflected. The infrastructure requirements for service delivery including IT, assets and fleet are provided for. On-going investment is also planned in the borough's transport infrastructure, including the road network, repair and maintenance of highways assets.
- 4.50 The council operate established governance arrangements around the delivery of the investment programme, to maximise the realisation of benefits and delivery of value for money. Our 'In-Control' toolkit is utilised to ensure all the five cases of the green book business case model are considered at the key milestones of planning and scheme delivery. These business cases are considered at the council's programme management group, consisting of a cross section of relevant senior officers from across the council, to ensure a comprehensive appraisal of proposals prior to being presented to Cabinet for consideration and approval.
- 4.51 A number of schemes within the investment programme have already been approved and are currently being delivered. Other schemes are at an earlier stage and are included in the proposed programme now for financial planning purposes. These schemes will go through the governance process described above, and as such could be amended or removed as appropriate.

- 4.52 Indicative funding sources for the investment programme have been included, which currently shows approximately £2 of external funding leveraged for every £1 invested by the council. In summary the indicative funding sources for the £138.550 million programme are £91.241 million grant funding, £44.890 million borrowing, £1.797 million capital receipts and £0.622 million revenue contributions.
- 4.53 As per our focus on financial resilience and sustainability, we have sought and will continue to seek to maximise the use of external funding sources and manage the amount of borrowing required to underpin our investments. The investments programme will continue to evolve over time. Consideration of future investment proposals will appraise strength of fit to the agreed priorities of the council, as well as ability to deliver a return on investment where appropriate to support the financial sustainability of the council and ensure the funding of the programme remains affordable.

5.0 Impact Assessment

5.1 Climate Emergency – The budget proposals identify areas of service that, if approved will need to be considered for their impact on the Climate, with some proposals proactively targeted at delivering improvements.

5.2 Health and Safety – The budget has a secured level of funding for our Health & Safety needs.

5.3 Social Value – A key component of the procurement and investment strategies of the Council is to promote social value across the Borough.

5.4 Legal – It is a statutory requirement of the Local Government Act 2003 Section 33 for the Chief Finance Officer to achieve a balanced budget for the Council. In addition, Section 25 of the Local Government Act 1972 addresses the Chief Finance Officer's legal requirement to be satisfied regarding the adequacy of its reserves when setting and operating budgetary policy of the Council.

5.5 Financial – The main body of the report sets out the revenue and capital aspects of the budget.

5.6 Human Resources – Aspects of the proposals are likely to impact the staffing establishment in some service areas. As has been the case in previous years, any impact will be managed in line with HR policies.

6.0 Implementation Plan

6.1 Timetable for Implementing Decision:

- 14 December – Budget proposals report considered at Resources Scrutiny & Improvement Committee
- 20 December – Cabinet approve Budget Proposals for consultation
- 21 December – Budget consultation period starts
- 17 January – Budget consultation period ends

- 23 February – Cabinet to propose the 2023/24 Budget and Council Tax requirement to Council
- 23 February – Council to set the 2023/2024 Budget and Council Tax requirement

6.2 Lead Officer: Phil Winstanley – Director – Finance (Section 151 Officer)

6.3 Reporting Progress: As per the timetable for implementation above.

6.4 Communications Plan: As per the timetable for implementation above.

7.0 Consultation and Engagement

The purpose of this report is to commence a period of consultation on the council's budget proposals, prior to a final budget being presented on 23 February 2023 to Council for approval.

The Council, through legislation, has two requirements to consult on the annual budget. The required consultation is with the businesses located in the borough and is in respect of the council's capital investment programme and proposals for increases in local taxation levels.

Some consultation has already been undertaken, with responses received from the 07 November all-member budget conference and staff suggestions (set out at appendices 4a and 4b) helping to inform these budget proposals. Further consultation will be conducted through an on-line survey, targeted communications with key stakeholder groups, consultation through the council's Corporate Resources & Governance Scrutiny & Improvement Committee, and discussion with wider council members.

8.0 Appendices and Background Papers

Appendix 1 – Service Investments

Appendix 2 – Driving Change Savings

Appendix 3 – Capital Investments Programme

Appendix 4 - All-member budget conference and staff savings suggestions

9.0 Contact Officer

9.1 Name: Phil Winstanley

9.2 Position: Director – Finance (Section 151 Officer)

9.3 Email address: Philip.winstanley@redcar-cleveland.gov.uk

Appendix 1 – Service Investments

Service Investments	2023/24	2024/25	2025/26	2026/27	2027/28
Children in care demographic and cost pressures	3,800,000	1,000,000	500,000	500,000	500,000
Home to school transport	1,000,000	-	-	-	-
Legal services	520,000	-	-	-	-
Adult social care demographic and cost pressures	5,200,000	3,500,000	1,850,000	1,850,000	1,850,000
Waste services - volume and price pressures	208,500	125,950	1,042,300	1,119,400	-
Increased fuel costs - fleet	250,000	-	-	-	-
Streetscene - Increased cleaning, contract & waste disposal costs	83,000	-	-	-	-
External funding for Neighbourhood Activities ending	500,000	-	-	-	-
Growth Plans - revenue impact of capital investment	100,000	-	-	-	-
Income pressure - SLM subsidy of energy costs	300,000	-	-	-	-
Pay Award (23/24 4%, 24/25 3% then 2% per annum)	5,622,250	2,077,268	1,412,557	1,440,831	1,469,670
Pension Fund Triennial Revaluation	-	250,000	500,000	-	-
Capital financing costs	2,433,000	2,050,000	1,159,000	1,164,000	1,024,000
Utility Inflation	1,900,000	-	-	-	-
General demand provision	1,000,000	1,000,000	-	-	-
Reduction to Strategic Change & Resilience Provision	- 200,000	-	-	-	-
Increase in audit fees	150,000	-	-	-	-
Total	22,866,750	10,003,218	6,463,857	6,074,231	4,843,670

Appendix 2a – Savings proposals : Proceed

Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Building and Accommodation					
Accommodation savings from continued delivery of approved asset strategy - reducing office and service accommodation requirements through hybrid working and developing multi-use assets	435	535			
Changing How Services Are Provided					
Children in Care placement efficiencies through developing more in-house provision	597	300			
Invest to Save					
Climate change invest to save activities to mitigate energy costs through targeted intervention measures	75	75	75	75	
Fees, Charges and Contractual Arrangements					
Economic Growth - additional income generation via an increase in usage	135				
Environmental services - additional income generation via sponsorship, grant, and increased usage	630		-130		
Savings on strategic contracts	50	50			
Review contributions to voluntary community sector	40				
Additional income derived from Fees and Charges proposals	585	530	300	300	300

Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Improving Business Efficiency					
Removal of some vacancies across children's, public health, economic growth, environment and education services	765				
Cease internal courier provision	27				
Seek to reduce costs for home to school transport by reducing out of borough placement numbers and single pupil taxi routes as appropriate.		132			
Various small funding efficiencies	34				
Review workforce development budgets for social care	100				
Reduce occupational health budget costs	10				
Reduce communications non-staffing expenditure and increase external marketing income	35				
Reduce work mobile phone handset contract and identify savings in Wide Area Network provision following building reductions		100			
Three days Voluntary unpaid leave - dependent on take-up by staff	100				
Environment Service Review - non-pay savings	50	125			
Reduce capital financing costs by reducing borrowing in capital programme	250				
Adult Social Care funding efficiencies	500	117			
Reduction in events budget	70				
Increased charge to capital funding sources where applicable	359				
Recover administration costs on specific grants where grant conditions allow	454	50			
Grand Total - Savings to Proceed	5,301	2,014	245	375	300

Appendix 2b – Savings proposals : Consult

Description	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Changing How Services Are Provided					
Review of Youth and Community Centres and provision at various locations around the Borough		197			
Review Library service provision	200	200			
Cease Local Authority licence and provision for Duke of Edinburgh Awards	48				
Reduce the number of buildings used for delivering family hubs services from 12 to 8; and apply alternative funding sources to support service delivery.	94	16			
Reduce contribution to support joint arrangements for South Tees Youth Justice Service	65				
Review Local Authority led after school short breaks provision for children with disabilities	50				
Review and consult on potential changes to the current policy on non-statutory SEN transport for early years children and post 16 young people.		66			
Review service provision that supports young people remaining in education until at least their 18th birthday and the support for young people who are not participating	75				
To review School Crossing Patrol service and consult with schools to consider an SLA with the Local Authority		126			
Reduction in some Public Health initiatives	75				
Economic Growth Service review - salary savings	120				
Environment Service Review - salary savings	400				
Fees, Charges and Contractual Arrangements					
Introduce a means test for discretionary adult social services currently provided free of charge.	375	125			
Improving Business Efficiency					
Remove funding for the trade union post	46				
Review discretionary business rates relief top up paid to some organisations	45				
Remove council tax support subsidy paid to Parish Councils	100				
Reduce elected member ward allowance allocations from 23/24	59				
Grand Total - Savings to Consult	1,752	730	0	0	0

Appendix 3 – Capital Investments Programme

Scheme	Revised 2022/23	Revised 2023/24	Revised 2024/25	Revised 2025/26	Revised 2026/27	Revised 2027/28	Total Budget	Cap Receipts	Prudential Borrowing	Capital Grants / Contributions / Loan Repayment	DRF	Total Funding
Town Scope Investment												
Public Realm	250,000	0	0	0	0	0	250,000	0	-250,000	0	0	-250,000
Redcar Central Station	250,000	5,767,600	0	0	0	0	6,017,600	0	0	-6,017,600	0	-6,017,600
East Cleveland Town Centre Revival	380,250	54,500	0	0	0	0	434,750	0	0	-434,750	0	-434,750
Saltburn Town Centre Revival	775,550	978,150	0	0	0	0	1,753,700	0	0	-1,753,700	0	-1,753,700
Guisborough Town Centre Revival	11,950	50,000	0	0	0	0	61,950	0	0	-61,950	0	-61,950
Loftus Future High Street	3,947,250	5,074,950	0	0	0	0	9,022,200	0	-224,250	-8,728,550	-69,400	-9,022,200
Redcar Town Deal	4,952,150	6,485,000	11,665,000	211,000	0	0	23,313,150	0	0	-22,760,650	-552,500	-23,313,150
Boroughwide High Street Support	165,400	146,000	0	0	0	0	311,400	0	0	-311,400	0	-311,400
Parks & Play Equipment	100,000	100,000	100,000	100,000	100,000	100,000	600,000	0	-600,000	0	0	-600,000
Kingsley Field	117,950	0	0	0	0	0	117,950	0	0	-117,950	0	-117,950
Skinningrove Coastal Protection	58,050	0	0	0	0	0	58,050	0	0	-58,050	0	-58,050
SUB-TOTAL EXPENDITURE	11,008,550	18,656,200	11,765,000	311,000	100,000	100,000	41,940,750	0	-1,074,250	-40,244,600	-621,900	-41,940,750
Visitor Attractions & Amenities												
Welcome to Redcar & Cleveland Grants	152,850	50,000	0	0	0	0	202,850	0	0	-202,850	0	-202,850
Cleveland Ironstone Mining Museum	1,488,800	0	0	0	0	0	1,488,800	0	0	-1,488,800	0	-1,488,800
Regent Cinema Development	51,450	0	0	0	0	0	51,450	0	0	-51,450	0	-51,450
Guisborough Town Hall Gateway Project	121,550	200,000	0	0	0	0	321,550	0	0	-321,550	0	-321,550
Replacement of Eston Baths	1,660,100	7,058,000	0	0	0	0	8,718,100	0	-7,218,100	-1,500,000	0	-8,718,100
Kirkleatham Future Development	0	228,250	0	0	0	0	228,250	0	0	-228,250	0	-228,250
SUB-TOTAL EXPENDITURE	3,474,750	7,536,250	0	0	0	0	11,011,000	0	-7,218,100	-3,792,900	0	-11,011,000
Business Infrastructure												
Coatham Leisure - Phase 1	2,672,650	550,000	0	0	0	0	3,222,650	0	0	-3,222,650	0	-3,222,650
Industrial Estates Programme	500,000	3,513,350	0	0	0	0	4,013,350	0	0	-4,013,350	0	-4,013,350
SUB-TOTAL EXPENDITURE	3,172,650	4,063,350	0	0	0	0	7,236,000	0	0	-7,236,000	0	-7,236,000
Transport Infrastructure												
Walking & Cycling Routes	280,000	700,000	0	0	0	0	980,000	0	0	-980,000	0	-980,000
Block Allocation - Local Transport Plan	900,500	849,500	859,500	859,500	859,500	859,500	5,188,000	0	0	-5,188,000	0	-5,188,000
Highways - City Regional Sustainable Transport Settlement Allocation	2,596,700	2,266,550	2,266,550	2,266,550	2,266,550	2,266,550	13,929,450	0	0	-13,929,450	0	-13,929,450
Highways Improvements	112,750	0	0	0	0	0	112,750	0	-112,750	0	0	-112,750
Highways Innovation Fund	293,350	293,350	293,350	293,350	293,350	293,550	1,760,300	0	0	-1,760,300	0	-1,760,300
Environmental Assets	50,000	1,500,000	2,000,000	2,000,000	1,550,000	0	7,100,000	0	-7,100,000	0	0	-7,100,000
Eston to South Bank Cycleway	665,000	0	0	0	0	0	665,000	0	0	-665,000	0	-665,000
Swans Corner & Flatts Lane Traffic Improvements	1,469,800	0	0	0	0	0	1,469,800	0	-979,150	-490,650	0	-1,469,800
SUB-TOTAL EXPENDITURE	6,368,100	5,609,400	5,419,400	5,419,400	4,969,400	3,419,600	31,205,300	0	-8,191,900	-23,013,400	0	-31,205,300

Scheme	Revised 2022/23	Revised 2023/24	Revised 2024/25	Revised 2025/26	Revised 2026/27	Revised 2027/28	Total Budget	Cap Receipts	Prudential Borrowing	Capital Grants / Contributions / Loan Repayment	DRF	Total Funding
Housing												
Community Led Housing	190,000	0	0	0	0	0	190,000	0	0	-190,000	0	-190,000
Green Homes	1,105,450	0	0	0	0	0	1,105,450	0	0	-1,105,450	0	-1,105,450
SUB-TOTAL EXPENDITURE	1,295,450	0	0	0	0	0	1,295,450	0	0	-1,295,450	0	-1,295,450
Supported Housing												
CSDP Adaptations	110,000	100,000	100,000	100,000	100,000	100,000	610,000	0	0	-610,000	0	-610,000
Aids & Adaptations	600,000	600,000	600,000	600,000	600,000	600,000	3,600,000	0	0	-3,600,000	0	-3,600,000
Disabled Facilities Grant	1,100,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,100,000	0	0	-6,100,000	0	-6,100,000
SUB-TOTAL EXPENDITURE	1,810,000	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000	10,310,000	0	0	-10,310,000	0	-10,310,000
Community Capacity												
Investment in Leisure Centres	126,100	0	0	0	0	0	126,100	0	-126,100	0	0	-126,100
4G Pitch - R&C College	250,000	0	0	0	0	0	250,000	0	0	-250,000	0	-250,000
SUB-TOTAL EXPENDITURE	376,100	0	0	0	0	0	376,100	0	-126,100	-250,000	0	-376,100
Recycling & Waste Initiatives												
Recycling Initiatives	250,000	250,000	0	0	0	0	500,000	0	-500,000	0	0	-500,000
Purchase of Refuse Bins	100,000	100,000	100,000	100,000	100,000	100,000	600,000	0	-600,000	0	0	-600,000
Procurement of Waste Facility	155,150	0	0	0	0	0	155,150	0	-155,150	0	0	-155,150
SUB-TOTAL EXPENDITURE	505,150	350,000	100,000	100,000	100,000	100,000	1,255,150	0	-1,255,150	0	0	-1,255,150
Education												
School Estate Investment	1,247,300	200,000	150,000	150,000	100,000	100,000	1,947,300	0	0	-1,947,300	0	-1,947,300
Devolved Formula Capital at LEA Level	131,350	75,000	75,000	75,000	75,000	75,000	506,350	0	0	-506,350	0	-506,350
Kirkleatham School Expansion	2,131,500	0	0	0	0	0	2,131,500	0	0	-2,131,500	0	-2,131,500
A Special Free School for the Tees Valley in Grangetown	0	245,000	0	0	0	0	245,000	0	0	-245,000	0	-245,000
Churchview	26,400	0	0	0	0	0	26,400	0	-26,400	0	0	-26,400
Moving on Accommodation	106,850	0	0	0	0	0	106,850	0	-106,850	0	0	-106,850
The Ridings - Renovation	134,250	134,250	0	0	0	0	268,500	0	0	-268,500	0	-268,500
SUB-TOTAL EXPENDITURE	3,777,650	654,250	225,000	225,000	175,000	175,000	5,231,900	0	-133,250	-5,098,650	0	-5,231,900
Council Investments												
Business Premises Improvements	585,000	150,000	150,000	150,000	150,000	150,000	1,335,000	0	-1,335,000	0	0	-1,335,000
Purchase of Vehicles (Fleet Replacement)	1,551,750	3,430,900	2,000,000	2,000,000	2,000,000	2,000,000	12,982,650	-1,797,000	-11,185,650	0	0	-12,982,650
Climate Strategy	177,350	325,000	200,000	200,000	200,000	200,000	1,302,350	0	-1,302,350	0	0	-1,302,350
Information Technology Improvement Projects	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	6,000,000	0	-6,000,000	0	0	-6,000,000
PFI Lifecycle Costs	425,000	495,450	576,150	635,100	639,450	639,450	3,410,600	0	-3,410,600	0	0	-3,410,600
Asset Management - Capitalised Repairs	859,000	799,550	500,000	500,000	500,000	500,000	3,658,550	0	-3,658,550	0	0	-3,658,550
SUB-TOTAL EXPENDITURE	4,598,100	6,200,900	4,426,150	4,485,100	4,489,450	4,489,450	28,689,150	-1,797,000	-26,892,150	0	0	-28,689,150
TOTAL EXPENDITURE	36,386,500	44,770,350	23,635,550	12,240,500	11,533,850	9,984,050	138,550,800	-1,797,000	-44,890,900	-91,241,000	-621,900	-138,550,800

Appendix 4a – All-member budget conference savings suggestions

Fees, Charges and Contractual Arrangements

Council approach	Service specific
Look at public space tenancy – charge more	Review Council magazine – online only or reduce frequency
Fees and charge increase in line with inflation	Increase fees for weddings – more than deaths
Encourage communities to help themselves more	Take tougher line on children being able to share taxi's etc. for home to school transport
Ensure cover costs of service delivery through fees	Charge for bins and caddies
10% increase in line with inflation	More enforcement – higher fines
Review approach to procurement – support more small suppliers / review framework approach. Stop spending more on our contracts spend	Mixed view on garden waste – some charge, some change window/frequency some stay as is
	Care home providers – do we review company accounts when negotiating
	Increase car parking fees, within current areas and new zones
	Annual service charge on open space / new housing development
	Fine housing associations for environmental issues
	Outsource school transport – means test where appropriate

Buildings and Accommodation

Council approach	Service specific
Look to rationalise estate – reduce buildings across borough	Change Library offer – traditional approach outdated. Reduce buildings
Some reservations on hybrid working efficiency	Look at leisure contract – number of facilities and factors such as heating
More multi-use community facilities / co – locate within buildings	Community asset transfer - increase
Address peppercorn rents	
Make a commercial rental income from civic rooms	
Install more solar panels environmentally sound infrastructure to reduce bills	
Office accommodation must be sustainable	
Encourage more businesses to rent space/use our space as their HQ	
Save on utilities – heating and lighting	
Review spend on assets – income expenditure	

Changing how services are provided

Council approach	Service specific
Review staff working patterns to ensure staff not finishing early	Take a harder line for social care spend - Put non-service people/members in to challenge services and how things are being done
Review structures to ensure there is an appropriate ratio of staff to management	Ask parents to pay for more school transport
Must digitalise more services – offer digital as default	Service vehicles on a weekend
Can we introduce new income generating services	Local depots and waste drop off points
Review all rental income	Side waste to be treated as household waste not fly tipping
Self -service to be increased – more resident/people friendly though.	IT capability and capacity to deliver required change to be addressed
Need to focus upon the big areas of spend and overspend.	Can we increase community transport provision
Benchmark service offered against elsewhere – we are generous relative to elsewhere	Publicise cost of providing bus passes
Greater scrutiny of contracts required	Charge for handy person service
Look at the potential for sharing services with other councils and joint ventures	Preventative services such as early help/family support workers may reduce cost further down the line
Invest in multi-skilled multi-purpose staff	Look at large scale solar farm

Improving business efficiency

Council approach	Service specific
Workforce/Agency Issues – grow and develop our own to a greater degree, support appetite to take on new required skills e.g HGV	Ensure we have a QS for all capital projects so we don't end up with changes and cost overruns
Review the efficiency of services – greater focus on performance management and appraisals	Sponsor tourist and other attractions e.g Cliff lift
Explore four-day week options	Utilise the beach as an asset to market / generate income
Review services to ensure that they are resourced at an appropriate level	Charge events companies for clean-up
Ensure other agencies are carrying out their responsibilities so the council doesn't have to step in	Review industrial estates – sell if sensible
Review staff benefits – car parking, mileage payment etc	More multi-use vehicles within our fleet
Christmas lighting – reduce offer and time the lights are on for – time of day and duration .	Can we rationalise IT kit
	Continues on next slide

Council approach	Service specific
Think of broader impact when delivering services – e.g blowing grass cutting creates expense elsewhere to clear drains.	Street Lighting - switch off every other at certain times of day if viable.
Review / benchmark management structures and terms and conditions relative to other councils.	Democratic Services – could we reduce the number of staff attending and supporting meetings.
	Review approach to funding parish councils
	Can we introduce hybrid committee system – it worked previously
	Review the civic offer – do we require a mayor?
	Utilise the expertise in communities – examples include supper nannies to assist with parenting skills and avoiding the need for care.

Invest to Save

Council approach	Service specific
Invest in the voluntary sector to enable them to provide services	Consider having our own care homes – especially for children
Invest in our own staff agency to train staff, charge out to other local authorities	Invest in a crematorium within East Cleveland
More investment in digitalisation is required	Consider developing a housing association – social housing
Focus investment on options to drive income	Tyre disposal facility at HWRC
Invest in more marketing of commercial offer	Outdoor arena or Sealife centre
	Increase enforcement capacity and fine more
	Hotel at walled garden – conference centre approach
	Redesign car parks to create more capacity and revenue
	Park and ride at Hob hill – Saltburn
	More creative use of section 106 funding required.
	Consider dog owner surcharge

Appendix 4b – Staff savings suggestions

Resources

Suggestion
Increase Council Tax by 5%
Reduce the number of MFDs/Printers
Remove/reduce work mobile phones
Review arrangements for sick leave – could we reduce time on full -pay? Could we reduce amount paid from the outset 90%, 80% etc.
Reduce costs associated with council literature, including the residents magazine, providing more online, ads within publications.
Building and housekeeping issues – reduce lighting in buildings, hot water costs, consider the temperature, reduce energy consumption through various machines left on standby.
Reduce costs and increase income linked to public toilets. This could include charging and closing facilities.
Review arrangements for peppercorn rent for council buildings, especially taking responsibility for repairs and maintenance.
Explore staff working hours and patterns – could we look at four-day weeks, reduce evening and overtime.
Offer voluntary redundancy to those staff who would like it.
Consider the pay for senior management, could they take a cut?
Reduce the amount of spend the amount of consultancy spend in IT in particular.

Adults and Communities

Suggestion
Look at reducing the number of libraries.
Could changes be made to ward member allowances for work within the local community.

Children and Families

Suggestion
Review transport costs associated with children and young people.
Reduce our spend on agency workers – especially within social work
Speed up the process for recruiting foster carers. This could stop dropouts and help us secure more in-house carers.
Consider investing in a purpose-built children’s residential unit.
Consider the pay of social workers. This could help to reduce the appeal of working for an agency, which ultimately costs the council more.

Growth, Enterprise and Environment

Suggestion
Look at our options around waste management – suggestions include round review and outsourcing.
Increase enforcement of car parking offences as well as environmental offences.
Have a more proactive commercial approach to the sale of land and buildings. Hybrid working provides a real opportunity.
Stop using caddies for recycling. Too many get lost.
Explore the possibility of relocating Dunsdale Household Waste Recycling Centre to the council owned site in Warrenby
Stop categorising side-waste as fly tipping and sending Street Scene operatives to collect what could have been collected by waste crews. This is inefficient in a number of ways and costs money,
Reduce costs associated with street lighting – turn off certain lights, dim some lighting, look at lighting required on roundabouts.
Reduce costs with vehicle hire, increased forward planning of journeys could save costs.
Consider the various depots the council operates from. The depot near to Dunsdale in particular is unnecessary and potentially unsafe when accessed on foot.