



Report to:

**Finance and Value for Money Overview and
Scrutiny Commission – 10 February 2023
Council – 23 February 2023
Cabinet – 27 February 2023**

Wards All

**General Fund Revenue Budget 2023/24 and Medium Term Financial Plan
2023/24 to 2025/26**

Report of the Leader of the Council

Purpose of the Report

1. To present to Council:

The Leader's General Fund Revenue Budget 2023/24 and Medium Term Financial Plan 2023/24 to 2025/26.

The following Appendices are attached to the report:

- A (i) - Summary of the Budget Consultation Exercise
- A (ii) - The Leader's Budget Statement 2023/24
- B (i) - 2023-24 Budget - Movement from February 2022
- B (ii) - Schedules of planned savings for 2023/24
- B (iii) - Schedule of efficiency savings for 2023/24
- B (iv) - Service Profiles
- C - Analysis of Business Units' Budgets
- D - 3 year Medium Term Financial Plan 2023/24 to 2025/26
- E - Policy Regarding Capital Receipts Flexibility
- F - Risk Assessment of level of General Reserves
- G - Schedule of General and Earmarked Reserves
- H - Hull City Council / ICB - Integrated Financial Plan
- I - Council Tax and Precepts

- J (i) - DSG – Schools and Central Blocks
- J (ii) - DSG – High Needs Block
- J (iii) - DSG – Early Years Block

- K - CIPFA Resilience Index

2. Executive Summary

- 2.1 The report provides the suite of assumptions and technical underpinnings for the Leader’s Budget statement, shown at Appendix A (ii) and the savings proposals included at Appendix B (ii and iii).
- 2.2 The report also sets out the levels of Council Tax arising from the Leader’s Budget Proposals for 2023/24. The resultant increase of 4.99% is in line with the referendum limits and includes a 2% Social Care Precept.

Recommendations

3. The Council is recommended to:-

- i) Note the Leader’s Budget Statement 2023/24 as set out in Appendix A(ii)*
- ii) Approve the Council’s 2023/24 Revenue Budget savings and Service expenditure allocations as set out in Appendices B (ii and iii) and C; subject to any budget amendments properly notified to and approved by Council in line with the Constitution;*
- iii) Note the Medium Term Financial Plan as set out at Appendix D;*
- iv) Approve the Capital Receipts Flexibility Strategy set out at Appendix E;*
- v) Approve the contribution to/from reserves and levels proposed at Appendix G;*
- vi) Note the Health and Social Care Integrated Financial Plan at Appendix H, showing the expected spend in the City of both the Council and ICB, and support decision making relating to funds within this Plan being subject to consideration and approval by the planned joint committee.*
- vii) Approve the levels of Council Tax, noting the precepts of the Police and Crime Commissioner for Humberside and the Humberside Fire Authority as set out at Appendix I.*
- viii) Approve the allocations of Direct Schools Grant (DSG) including those relating to High Needs and Early Years as set out at Appendix J.*

- ix) *Note the comments of the Director of Finance and Transformation and Section 151 Officer on the robustness of the Budget and adequacy of reserves as set out at paragraph 14 and informed by the CIPFA resilience index summarised at paragraph 12 and Appendix K.*

4. Revenue Budget 2023/24 - Consultation

- 4.1 The Government announced details of the Provisional Local Government finance settlement on 19 December 2022 which were subsequently confirmed in the final Settlement received 5 February. This is a one year only settlement. Although the Government have issued a Policy Statement setting out their current intentions with regard to funding levels for 2024/25, no data for individual Councils has been provided.
- 4.2 The budget detailed in this report for 2023/24 reflects the changes in Government funding included in the settlement. Consultation has been completed with representatives of the Business Community, Voluntary, Community and Social Enterprise Sector, together with Young People from the city regarding the Council's budget. The Council has also undertaken a broader exercise regarding meeting Council priorities in an environment of reducing public sector funding through the People's Panel in the form of market research and is in the early stages of developing a Community Strategy which will inform priorities going forward.
- 4.3 A summary of the consultation exercise is shown at Appendix A (i) alongside the Leader's Budget Statement which is attached at Appendix A (ii).

5. Local Government Finance Settlement – Core Funding and Context

- 5.1 The Local Government Settlement for 2023/24, issued on the 19 December 2022, provides funding allocations for one year only. Although figures have not been supplied for the following year, the government have provided the authority with information on which to plan with a reasonable level of certainty for 2024/25.
- 5.2 Whilst there has been an increase in Core Spending Power for 2023/24 with detail provided in Table 1, it is firstly important to note that this is within the context of significant inflationary costs arising during 2022/23 and the significant loss in funding over the last decade.
- 5.3 Table 1 below summarises the movement in Core Spending Power (CSP) since 2010 and highlights the loss of £111m in CSP between 2010 and 2020, a real terms percentage cut of 29.1%. Although significant reductions were faced across the whole local government sector, Hull and similar authorities, which have a high level of need but suffer from relatively low property values and economic growth, have continued to suffer disproportionately from the cuts in funding.

Table 1 – Reductions in Core Spending Power since 2010/11

Local authority	CSP cut since 2010-11	Percentage real term cut	£ per dwelling real term cut	Cash increase/cut since 2010-11	Percentage cash term increase/cut	Cash Increase/ (Cut) since 2010-11 per dwelling
	£m	%	£ per head	£m	%	£ per head
Kingston upon Hull	- 111.0	-29.1%	- 899.97	- 9.2	-3.5%	- 74.48
England	- 14,515.0	-20.4%	- 580.89	4,098.6	7.5%	164.03
SIGOMA total	- 4,761.0	-26.1%	- 763.50	90.7	0.3%	14.54

- 5.4 As further context it is also important to consider the inflationary pressures incurred by the Council over 2022/23 and the implications for 2023/24. Formal revenue monitoring reports during 2022/23 have highlighted significantly rising costs of energy, pay inflation, and upward pressure on other non-pay costs which have informed the budget proposals detailed in this report. Appendix B (i) details the movements in budgets since the position reported in February 2022.
- 5.5 Inflation within the UK economy is predicted to fall quickly through 2023 and into 2024 as we move beyond the spring 2023 energy shock linked primarily to the war in Ukraine. However, there remains significant uncertainties, particularly with regard to the war, and its economic impact, and the on-going strikes in the public and private sectors. Contingencies have been included within next year's budget to mitigate the associated risks as shown at paragraph 8.10. The largest expected increase in costs is associated with meeting the increased costs of the providers of adult care which will be finalised in the next month and for which the Government have provided earmarked grant support.
- 5.6 The inflationary cost increases faced by the Council exceed the value of the additional funding available to the Council. As a result, additional savings measures are required in 2023/24 and future years to balance the budget and protect the Council's financial stability.
- 5.7 The actual costs incurred during 2022/23, and any further implications for 2023/24, will be reported to Cabinet within the Outturn report scheduled for May 2023 Cabinet. It is anticipated that around £5.6M of Reserves will be required to balance the 2022/23 position as has been highlighted in the in-year monitoring reports.

- Fair Funding /Business Rate Retention

- 5.8 The Chancellors Autumn Statement and the subsequent Local Government Settlement confirmed that any material changes to the funding mechanism (previously referred to as Fair Funding) and the associated Business Rate Retention mechanism have been shelved until beyond the next election and the 2024/25 financial year.
- 5.9 The Chancellor's statement did not provide sufficient information to make a meaningful judgement regarding the current Government's approach to public services beyond March 2025. Clearly this highlights the on-going uncertainty around future local government funding which continues to make long term planning for Council's exceedingly difficult.
- 5.10 The Government has previously indicated that it intends to retain the system of 'top ups and tariffs' regarding Business Rates which is vital to cities like Hull, as it provides an element of redistribution from wealthier to poorer areas. It is essential for Hull that the Government ensures equity in the distribution of overall resources to adequately reflect comparative local needs and the differing abilities of councils to raise income locally. The Council will continue to lobby to best effect through direct responses to Government consultation proposals as well as the Local Government Association and SIGOMA (the Special Interest Group of Metropolitan Authorities) within it.

- Movements in Resource Base

- 5.11 In Hull the increase in core spending power (CSP) in the next year is 10.6% as shown in Table 2 below. Despite the increase in estimated funding in 2023/24, the funding received will not cover the significant increase in inflation during 2022/23. It is within this context that the Council must seek to continue to control its costs in order to bring expenditure into line with available resources.
- 5.12 Adjusting CSP for the movements in NNDR, Council Tax and Reserves the Council's Resource Base is anticipated to increase by 11%, as per Table.

Table 2 - Movement in Resource Base 2022/23 to 2023/24 and projected 2024/25

	2022/23	2023/24	Change		2024/25	Change from 2022/23 (Est.)	
	A £m	B £m	£m	%	C £m Est.	£m	%
Settlement Funding Assessment (SFA)							
Revenue Support Grant	25.27	28.35	3.08	12.2%	29.87	4.60	18.2%
Business Rate Funding							
- Top-Up	39.89	43.30	3.41	8.5%	44.30	4.41	11.1%
- Retained Business Rates	41.69	41.34	-0.35	-0.8%	43.41	1.72	4.1%
	81.58	84.64	3.06	3.8%	87.71	6.13	7.5%
Total SFA	106.85	112.99	6.14	5.7%	117.58	10.73	10.0%
Council Tax Requirement	98.66	105.26	6.60	6.7%	112.47	13.81	14.0%
Improved Better Care Fund	17.92	17.92	0.00	0.0%	17.92	0.00	0.0%
Business Rates Under-indexing	8.34	14.42	6.08	72.9%	14.42	6.08	72.9%
New Homes Bonus	2.11	0.09	-2.02	-95.7%	0.00	-2.11	-100.0%
Social Care Grant	17.61	27.22	9.61	54.6%	31.72	14.11	80.1%
Market Sustainability and Fair Cost Fund	0.98	0.00	-0.98	-100.0%	0.00	-0.98	-100.0%
ASC Market Sustainability and Improvement Fund	0.00	3.40	3.40		4.90	4.90	
Lower Tier Services Grant	0.57	0.00	-0.57	-100.0%	0.00	-0.57	-100.0%
ASC Discharge Fund	0.00	2.51	2.51		4.01	4.01	
Services Grant	5.62	3.17	-2.45	-43.6%	3.15	-2.47	-44.0%
EPRP Scheme	0.00	0.00	0.00		1.00	1.00	
Grants Rolled-in	0.80	0.00	-0.80	-100.0%	0.00	-0.80	-100.0%
Total Core Spending Power	259.46	286.98	27.52	10.6%	307.17	47.71	18.4%
Adjustments for Resources Base							
Business Rates	3.65	7.92	4.27		3.85	0.20	
Reserves - COVID Funding	5.00	3.00	-2.00		0.00	-5.00	
CT Collection Fund	1.50	1.50	0.00		0.50	-1.00	
Reserves - Flood Defence	0.25	0.25	0.00		0.00	-0.25	
Resource Base	269.86	299.65	29.79	11.0%	311.52	41.66	15.4%

6. Balancing the 2023/24 Budget Overview

- 6.1 The Budget and MTFP approved by Council in February 2022 provided for a balanced budget in 2022/23 but highlighted a small, predicted deficit in 2023/24 of £1.3M. However, as set out in the paragraphs above inflationary pressures have created a deteriorating financial outlook.
- 6.2 The immediate priority is to balance next year's budget and to provide a stable financial footing from which to continue to provide critical services and support the ongoing pandemic recovery process. Appendix B(i) show the movements in the 2023/24 position from that projected in February 2022. This highlights both the inflationary pressures and the mitigating measures which have been identified to ensure the Council is able to set a balanced budget for 2023/24, without the use of General Reserves.
- 6.3 The planned savings measures are out below at paragraphs 6.6 to 6.13. After allowing for the financial benefit of the savings measures it has been possible to release £1M to meet a priority service demand relating to improving neighbourhood cleanliness through intensive short-term activity. Pilot activity is commencing at the end of this financial year through re-direction of existing resources which will inform the 2023/24 programme.
- 6.4 Although the Council can enter 2023/24 in a financially stable position, it is important to note that the future year projections, as has been the case in recent years, continue to indicate potentially significant deficits. The funding position is very uncertain but the Government have indicated that they recognise the importance of multi-year settlements in providing the stability Councils require to enable robust service and financial planning and it must be hoped that after the next general election such changes are made in the funding system.
- 6.5 The challenge of delivering reductions in the cost base over the medium term, in the face of post pandemic demand increases, is shared by many other councils, and has been further exacerbated by the inflationary pressures within the economy driven primarily by the war in Ukraine. These issues have created both service pressure and increased uncertainty undermining both the stability of the Council and that of the City and its residents.

Service Savings and Efficiencies

- 6.6 As part of the business cycle and planned service changes budget savings of £2.55m are expected to arise in 2023/24. These savings were incorporated into the MTFP at February 2022 and the impact in 2023/24 is shown at Appendix B(ii) along with indicative future year impact.
- 6.7 Schedule B(i) also highlights additional savings impacting from 2023/24 with regard to the implementation of a partial vacancy freeze, a programme of energy reduction activity and back office efficiencies.

- 6.8 As set out in the December 2022 MTFP Update report, the Council will seek to reduce establishment costs through taking advantage of staff turnover, with only those posts that are deemed essential being filled. Based on saving approximately 50% of the cost of vacancies given historic levels of turnover, this is expected to save £3.3m during 2023/24, rising to £5.8M in 2024/25. Decisions regarding recruitment will be based on an assessment of risk with an acknowledgment that services delivery will be inevitably impacted and this will be determined in the light of the pattern of actual vacancies.
- 6.9 Given the dramatic rise in energy costs it is imperative that the Council seek to minimise consumption. There are 3 strands to the Council's approach which will target savings of £0.5M per annum through:
- Reducing the Council's property portfolio
 - Implementing energy reduction measures such as LED lighting and low level power generation measures such as solar panel installation
 - Longer term strategic developments focussed on in house power generation such as District Heating and the potential for Wind Turbines / Solar Farms.
- 6.10 There is also an intention to drive out efficiencies through back-office system changes driven by the planned replacement of the Council's Oracle systems by 2025/26 and the associated process re-engineering.
- 6.11 The Council has also introduced an on-going programme of service efficiency savings which are designed to drive out cost without impacting upon service delivery. The 2022/23 Budget, as approved in February 2022, detailed a programme of 1% c(£2.5M) savings per annum for 4 years as part of the MTFP.
- 6.12 This programme has been accelerated during 2022/23 with a further £2.6m of budget efficiency savings approved by Cabinet in October 2023 in response to the in-year budget pressures.
- 6.13 A further schedule of efficiency savings impacting from 2023/24 have been identified and are shown at Appendix B(iii).
- 6.14 The total savings delivered in 2022/23 and now planned total £28.5M, as reflected in the MTFP, and summarised in the table below. This represents a significant value and challenge in terms of delivery and will need to be monitored closely if it is to be fully delivered.

Table 3 Planned Savings

	22/23	23/24	24/25	25/26	Total	Notes
	£m	£m	£m	£m	£m	
Efficiency Savings (1)	2.5				2.5	As included in 22/23 Budget
Other Planned Savings	3.2	2.3	0.5		6.0	As detailed in 22/23 Budget Report and B(ii)
Accelerated Efficiency Savings (2)	2.6	(0.2)			2.4	As approved October Budget Report
Accelerated Efficiency Saving (3)		3.0	2.3	2.0	7.3	As per Appendix B(iii)
Vacancy Freeze		3.3	2.5	1.0	6.8	Paragraph 6.8 above
Energy Reductions		0.5	0.5	0.5	1.5	Paragraph 6.9 above
Efficiency Through Technology			0.5	1.5	2	Paragraph 6.11 above
Total	8.3	8.9	6.3	5.0	28.5	

6.15 Given current assumptions, the forward projections, shown at Table 4 below, suggest the Council will face a material budget deficit in future years. However, given the projected date of the next General Election, and the need for the Government to set out detailed public spending and funding plans, it is unlikely that the scale of any challenge will become clear until late 2024 at the earliest. As such it is essential that the Council protects its financial position by continuing to develop options capable of reducing the cost base and Directorates will continue to seek efficiencies and potential alternative methods of service delivery.

6.16 It is not possible at this time to pre-determine the scale of savings associated with this programme of activity. Indeed, particularly with regard to the care services, the focus will be on delivering efficiencies and services benefits across the system thereby reducing future demand and cost. The focus over the coming years will continue to be on developing, in good time, options which may include alternative service delivery models as well as potential savings, for Member consideration in the light of the prevailing financial context informed by any changes in the funding regime.

6.17 Appendix B (iv) includes Service Profiles for individual departments, providing activity and operational information as context to the budget proposals.

7 2023/24 Budget and Forward Projections

- 7.1 The table below summarises the projected movements and identifies sums required to balance the budget in each of the next 3 years. In summary, after factoring in the approved savings, as detailed at Appendix B(ii) and (iii), the projections show a balanced budget for 2023/24 but shortfalls in the next 2 years. The 2024/25 position will need to be addressed during 2023 in the light of in year activity and latest funding intelligence. The multi-year MTFP is shown at Appendix D with supporting narrative included at section 9.
- 7.2 Whilst the projections beyond 2024/25 highlight budget deficits the level of confidence / certainty in the period beyond March 2025 is low. Specifically, there could be very significant variation in energy costs which could impact in a positive way if prices were to return towards 2021/22 prices in a material way. Similarly, only after the General Election can there be any certainty over public spending and funding plans. The current focus of financial planning must therefore be on 2023/24 and 2024/25 and seeking to ensure stability is maintained, despite the significant impact of inflationary pressures, ahead of March 2025 and hopefully more clarity over the medium term picture.
- 7.3 Given the level of uncertainty with regards to future levels of local government funding together with the forecast budget deficit faced by the Council over at least the next 2 years, it is imperative that strict budgetary control is exercised across all services. The position within all services will continue to be closely monitored throughout 2023/24.
- 7.4 The provisional financial outturn providing details of 2022/23 actual spend against budget will be reported to Cabinet in spring 2023 and this will inform the first formal revenue monitoring round for 2023/24. (The provisional outturn figures should be confirmed in November following the completion of the external audit of the Council's accounts).

Table 4 – Year on Year Movements

	2023/24	2024/25	2025/26
	£m	£m	£m
Movement in Resource Base	-29.79	-11.87	-11.09
Contingencies and Budget Pressures	45.54	18.89	14.12
Sum Required to Balance Budget	15.83	7.02	2.93
Use of Capital Receipts Flexibility	+0.50	-0.50	+5.00
Use of COVID Contingency	-3.00	+3.00	0
Planned Savings - as at Appendix B(ii)	-2.30	-0.50	0
Proposed Efficiency savings – as at Appendix B(iii)	-3.00	-2.27	-2.08
Establishment Reduction (Vacancy Freeze)	-3.30	-2.50	-0.95
Energy Savings	-0.50	-0.50	0
Efficiency Through Technology	0	-0.50	-1.50
District Heating	0	0	-0.50
Income Uplift	-0.55	-0.25	0
Pensions Contributions	-3.60	0	0
Budget Shortfall – In Year	0	3.00	3.00
Budget Shortfall – Cumulative	0	3.00	6.00

8 Funding

Council Tax

8.1 Council Tax projections have been reviewed and updated to reflect an assumed increase in line with the expected referendum levels effective in each year. The limits for 2023/24 have been set at 3% for General Fund Services plus 2% for the Adult Social Care “Precept”. The proposed increase reflected in these papers is therefore for a 4.99% increase reflecting a 2.99% increase for the General Fund and 2% relating to Adult Social Care. This level of annual increase has also been assumed in the forward year projections although future referendum limits are yet to be confirmed.

- 8.2 The Council's Local Council Tax Support (LCTS) remains unchanged for 2023/24. However, the Government have recently announced additional grant funding designed to provide a £25-00 reduction in the bills of those residents in receipt of LCTS. The 2023/24 Council Tax bills which will be issued following Council approval of the budget proposals will reflect this adjustment for eligible residents. New claimants of LCTS during 2023/24 will also receive a reduction up to £25-00.

Household Support Funding

- 8.3 The Government have provisionally announced an intention to continue the Household Support Funding initiative which has operated over the last financial year. Funding of £1bn has been announced for the year 2023/24 which is in line with the 2023/24 value and is expected will provide the Council with c£6M of grant funding to directly support those residents of the city in the greatest need, continuing the Council's cost of living response.
- 8.4 Detailed guidance is yet to be released but it is anticipated that the Council will be able to maintain a similar level of support for vulnerable households provided over the last year through, for example, the on-going provision of holiday food vouchers for those families in receipt of free school meals. Following confirmation of the funding and guidance a report will be presented to Cabinet to approve the allocations for 2023/24 and, potentially, alternative means of support.

Charges for Council Services

- 8.5 Fee levels have been set at values consistent with recouping the cost of providing the service and protecting Council revenues whilst ensuring income targets are realistic in the light of the current economic climate. The achievement of income targets, which have been increased by c6% will be reflected within the in-year monitoring reports, along with the delivery of the approved savings.

Business Rates and Enterprise Zones - Uplift in Business Rates

- 8.6 The Council is entitled to retain 100% of any increase in Business Rates arising within the designated Enterprise Zones. This additional funding can be used, as agreed with Local Enterprise Partnership (LEP), to support LEP priorities within the City.

Employer Pension Contributions

- 8.7 Following the Triennial valuation of the East Riding Pension Fund as at 31 March 2019, the Actuary advised the value of employer's contributions would be at 14.8% for 2020/21 to 2022/23.

- 8.8 During 2022/23 the Actuary completed the next Triennial Valuation as at 31 March 2022 which inform employer contribution rates from 1 April 2023 onwards. Agreement has been obtained to apply a 3% reduction in the employer contribution rate from 1 April 2023.

Capital Financing

- 8.9 The MTFP projections have been updated to reflect latest information regarding the Capital Programme with Capital Financing Costs revised in line with latest expenditure projections. The projections in this report are consistent with the detail contained within the Capital Strategy elsewhere on this agenda.

Contingencies

- 8.10 Service budgets may be subject to further adjustments including the allocation of contingencies / provisions to meet cost pressures. These are technical adjustments which will not impact on approved service levels. Contingencies are shown within the MTFP at Appendix D and shown below at Table 5 any variance from current projections, will be confirmed along with any consequential impact in 2023/24 as part of the Outturn report scheduled for Cabinet in May.

Table 5 – Contingencies to meet cost pressures

	2023-24 £000's	2024-25 £000's	2025-26 £000's
Energy Inflation	10,425	9,070	9,445
Contractual Inflation	3,000	6,000	9,000
Pay Inflation	4,911	8,661	11,161
Priorities	1,000	1,000	1,000
Social Care Fund	13,280	25,780	30,780
ASC Discharge Fund	1,500	3,000	3000
Total	34,116	53,511	64,386

- 8.11 In addition to the assumptions set out above the following factors have also been taken into consideration.

Transformational Costs (Utilising Capital Receipts Flexibility)

- 8.12 The Secretary of State for Communities and Local Government issued guidance in March 2016, giving local authorities greater freedoms with how capital receipts can be used to finance expenditure. This Direction allowed for the expenditure incurred in delivering revenue savings or service transformation, between 2016/17 and 2021/22, to be treated as capital and not

be charged to revenue, subject to generating funding from asset disposals in the same period. An extension of 3 years from 2022/23 to 2024/25 was announced in 2022.

- 8.13 The 2023/24 Budget has been set with the forecast use of £5.5m of such resources to support the Revenue Budget however it is anticipated that additional allocations may be made during the year in response to the identification of transformational service developments and 2022/23 Outturn. The Council's Strategy is included at Appendix E.

Dedicated Schools Grant (DSG)

- 8.14 The Council's financial position is impacted by the way in which schools are funded and the ongoing transfers to academy status. Schools with Academy status, of which the number in Hull is 93 receive all their funding direct from the Government rather than through the Council.
- 8.15 The Dedicated Schools Grant (DSG) receivable by the Council in 2023/24 of £67.277m compares to the 2022/23 value of £58.831m. This reflects our increase in funding from the Department for Education for High Needs of £5.2m and increases in Early Years funding
- 8.16 The DSG funding and costs must balance over time and, as highlighted in the successive monitoring reports to Members since 2017/18 some amendments to the pattern of expenditure will be required over the period of the MTFP. It is anticipated the DSG will end 2022/23 with a cumulative deficit of £2.4m. In 2023/24, it is anticipated there will be an in-year surplus of £3.4m which will be allocated to address the cumulative deficit with a view to achieving balance in 2023/24.

Table 6 – Dedicated Schools Grant

	Projected balance to be carried forward to 2023-2024 £'000	2023-2024 projected variance £'000	Projected balance to be carried forward to 2024-2025 £'000
Schools	0	0	0
Central School Services Block	-519	382	-137
High Needs Block	3,617	-3,937	-321
Early Years Block	-639	131	-508
Total	2,458	-3,424	-966

- 8.17 The Council is continuing to work with the city's schools on the measures required to meet the needs of children within the available funding envelope. Changes impacting on service delivery will be the subject of future reports to Cabinet. The Council is taking part in the Department for Education's "Delivering Better Value in SEND" programme, this aims to support local

authorities to improve delivery of SEND services for children and young people while ensuring services are sustainable.

8.18 The budget figures for 2023/24 for the Central Schools Services Block, the High Needs Block and the Early Years Block are shown in Appendices J (i) to (iii).

Public Health Grant

8.19 It is anticipated that the Public Health Grant will not increase in 2023/24 but this is yet to be confirmed. There are no increases assumed within the MTFP.

9 The 3 Year Medium Term Financial Plan 2023/24 – 2025/26

9.1 The Medium Term Financial Plan shown in summary at Table 7 and in detail at Appendix D has been developed based on the assumptions discussed above and summarised below.

- MTFP reflects the funding allocations in line with the 2023/24 Settlement. There is a risk that funding may be lower than currently modelled and the forecasts may need to be revisited as the government works towards a reformed system from 2025/26.
- Provision of resources to allow pay increases for employees, 4% in 2023/24 and 3% in later years and an increase in non-pay budgets to reflect future contractual price increases.
- Delivery of the budget savings set out in Appendix B (ii) and B (iii)
- Council Tax increases to the referendum limit 4.99% in 2023/24, 2024/25 and 2025/26.

Table 7 – Summary MTFP

	2023/24 £m	2024/25 £m	2025/26 £m
Expenditure			
Directorates (including Public Health)	276	276	276
Schools	60	60	60
Corporate Budgets (including provisions for pay, prices, pensions)	55.5	70	79
Net Budget requirement	391.5	406	415
Funding			
Government Grant / Retained Business Rates	278	286	290
Contribution (to) / Use of Reserves			
Covid Contingency Reserve	3		
Council Tax (Increases of 4.99% / 4.99% / 4.99%)	105	112	119
Utilisation of Capital Receipts Flexibility	5.5	5	0
Total Funding	391.5	403	409
Shortfall	0	-3	-6

10 Joint Commissioning with Humber and North Yorkshire Integrated Care Board (ICB)

10.1 As detailed in the table above, the latest projections indicate that the Council is faced with budget deficits in the near term. This primarily reflects the Council's rising costs relating to the care of vulnerable children and the demand pressures within the wider adult and children's care system and the health sector across the city.

10.2 The Council cannot seek to address these issues and cost pressures in isolation, and so must continue to work with our partners, and specifically the NHS, to manage demand across the system utilising the resources available within the City. To this end the Government introduced the Better Care Funding initiative in 2015/16 which saw significant resources from the NHS, and local Councils, jointly managed under the auspices of Health and Well Being Boards with a formal pooled budget arrangement. The MTFP for 2023/24 reflects the expected level of funding received from the NHS to support services. The total anticipated joint funding envelope is shown at appendix H.

10.3 This move towards joint commissioning between the Council and Humber and North Yorkshire Integrated Care Board (ICB) – Hull Place (formally the CCG) continues to be developed at both an Officer (Integrated Commissioning Officer Board) and Member (Joint Committee formally the Committee in Common) level

providing confidence that efficiencies and improved value for money can be achieved.

10.4 The changes during 2022/23 in NHS structures builds on the national drive to reduce public sector expenditure and improve the quality of care by encouraging closer working between Councils and the NHS. In broad terms there is a desire to reduce the cost of acute health care through better focussed and resourced community services designed to meet the care needs of individuals at an early stage and therefore reduce the call on expensive acute services. The Health Care Act 2022 incorporated the amendments to the National Health Service (NHS) Act 2006 that became law on the 1 July 2022, at this point the NHS Hull Clinical Commissioning Group (the CCG) ceased to exist and its functions were transferred to the newly established Integrated Care System (ICS) for North Yorkshire and the Humber.

11 Reserves

11.1 The 2022/23 Budget assumed Balances at April 2023 would stand at £20.968m General and £21.096 Earmarked. Latest monitoring suggests that in light of the extraordinary inflationary cost pressures impacting during the year the use of c£5.6M reserves will be required to balance the position at 31/3/2023. As a result, the aggregate Reserves held by the Council will have reduced to c£36M at 31 March 2023.

11.2 Following a review of the Capital Programme as part of the budget preparations and the associated re-profiling, the s151 Officer has determined that this call on balances can be safely met from the Capital Financing Reserve. This is in line with and reflects an increasing level of certainty over the Maritime scheme, and refinement of the Albion Square and Cruise Terminal projects.

11.3 The budget proposals reflected within this report seek to protect both General and Earmarked Reserves with no assumed usage during 2023/24 beyond the utilisation of the balance of COVID Contingency reflected in the MTFP at February 2022.

11.4 A detailed risk assessment for the level of reserves is attached at Appendix F. In the light of the very real challenges faced by the Council in maintaining services and the continued uncertainty over government funding, the risk assessment continues to reflect the need to maintain, at a minimum, General (Un-earmarked) Reserves of c£21m.

11.5 A schedule of Reserves, and movements, is included at Appendix G.

12 Resilience Index

12.1 As part of the Government's and the Local Government sector's shared desire to better manage the financial risks faced by Councils, CIFPA launched the Financial Resilience Index in 2020 based on 2018/19 data. The Index measures each Council against 9 indicators, relating to reserves, debt servicing, social care and income generation, and provides comparison against other authorities. Whilst the Index should be seen in the context that all Councils are individual in

terms of history, circumstance and strategy, the measures provide a useful comparable tool. The critical factors are considered in the paragraphs below with a summary of Hull's analysis included at Appendix K based 2021/22 data.

Reserves

- 12.2 Critically, whilst the analysis provides a good degree of comfort in terms of financial sustainability which reflects the fact that the Council has not used General Reserves to support the Revenue Budget, the Index highlights that despite increasing over recent years, they remain at comparably very low levels. This highlights the importance of protecting the General Reserves position in the light of the Council's forecast budget deficits in the medium term.

Servicing of Debt

- 12.3 Whilst the Council's recorded debt levels appear relatively high it is important to note that this is in line with expectations given that the Council retains a large housing stock, and the associated housing debt, and has benefited from significant PFI investment which taken together at £400m account for c50% of the Council's recorded debt. Taking these adjustments into account HCC would move into the middle range which is consistent with the measure of interest costs as a proportion of total spend which places Hull around the average of comparable authorities.

Social Care

- 12.4 This indicator is designed to highlight the future "flexibility" a Council may have in terms of reducing costs in services other than the statutory care services. The indicator places Hull in the middle range where social care costs account for c70% of expenditure with c30% on other services.

Income Generation

- 12.5 The Index also highlights the very low tax base and relatively low levels of income generated from service users, which is consistent with being measured as a relatively deprived area, which in turn limits the scope for raising income locally through Council Tax or service charges. Similarly, the Growth above Baseline measure highlights the relatively low level of growth in Business Rates but, given the planned "reset" of Business Rates whereby there will be a redistribution of such growth between authorities this translates into a low risk position for the Council.

13 Statutory Officer Comments

- 13.1 Under Section 25 of the Local Government Act 2003, and CIPFA Code of Practice, the Authority's Chief Financial Officer (s151 Officer) is required to report on the robustness of the estimates made for the purposes of the budget calculations and the adequacy of the proposed reserves.

13.2 Members are required under the 2003 Act to have regard to the Chief Financial Officer's report when making decisions about the budget calculations.

14 The Director of Finance and Transformation (section 151 Officer) has made the following statement:

- 14.1 The robustness of the budget estimates and the adequacy of the reserves are largely dependent on the levels of risk and uncertainty. The principal financial assumptions made in the budgets are noted in this report and attached appendices.
- 14.2 Budget monitoring throughout the year will be an important tool in identifying at an early stage potential problems so appropriate action can be taken.
- 14.3 The delivery of the planned savings and major business projects is critical to the successful delivery of the Council budget strategy. Current activity provides adequate assurance as to the deliverability of the 2023/24 budget with future year forecasts representing realistic planning assumptions which will be subject to review as part of the next annual budget setting process.
- 14.4 The budget has been prepared reflecting known service pressures following thorough reviews by City Managers.
- 14.5 A risk based approach to consideration of the level of reserves is a component of the Council's overall risk management framework. Operational risks should be managed within Services' bottom line budgets and thus will not normally result in a call on the Council's reserves. However, the on-going uncertainty regarding the path of the current pandemic and the associated potential impact on service activity, income and costs creates additional risk to both the short and medium term financial projections. Appendix F summarises the significant financial risks applicable to Un-earmarked Reserves. The total potential risk to the Council is estimated to be c£21m in 2023/24. The Authority's Un-Earmarked Reserve stood at £8m at 31 March 2018 but, subject to the 2021/22 outturn, are envisaged to be at £21m on 31 March 2023 with no planned use included within the 2023/24 budget proposals.
- 14.6 As noted above at paragraphs 12.2, comparison with all unitary councils, continues to show that Hull has a relatively low level of reserves when set against the scale of its operations, and also that it is relatively highly dependent on receiving government RSG and grant funding. These issues have been highlighted consistently and have informed reporting and lobbying for a considerable period of time. The latter aspect in particular has informed matters such as the Council's response to the Fair Funding consultation, when, along with other Councils facing similar positions, the case was made very clearly that deprivation and the difficulty of raising income locally should be prime factors driving a new, more equitable, system for the distribution of government funding.
- 14.7 My assessment of the process that has been undertaken set alongside the risk assessment, informed by the CIPFA Resilience Index, is that the budget

calculations used in the preparation of the budget estimates are fair and robust and reserves are adequate to reflect known circumstances.

15 The Town Clerk (Monitoring Officer) has made the following statement:

- 15.1 Before setting the level of the tax, the Council must have agreed a balanced budget, differentiated by services, which is sufficient to meet estimated revenue expenditure, levies, contingencies, any deficit estimated to be brought forward from previous years, and any amounts required to be transferred between funds. The tax itself must be sufficient to cover the difference between the agreed budget less government grants credited to the consolidated revenue account, and any other expenditure which must be met from the Collection Fund, less any surplus (or plus any deficit) brought forward from previous years.
- 15.2 In addition, following the implementation of the Local Government Act 2003, the Council's Chief Financial Officer (under s151 Local Government Act 1972) is required to report to the Council on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. The Council must have regard to the report when making decisions about the calculations in connection with which it is made. The Chief Financial Officer is also obliged to report to the Council if in relation to the previous financial year it appears that a controlled reserve is or is likely to be inadequate. A controlled reserve is one where the Secretary of State has, by regulation, defined the appropriate minimum level of reserve. The s151 officer must report the reasons for that situation, and the action, if any, which he considers it would be appropriate to take to prevent such a situation arising in relation to the corresponding reserve for the financial year under consideration.
- 15.3 Among the relevant considerations which Members must take into account in reaching their decisions will be the views of business ratepayers and the advice of officers. The duty to consult representatives of non-domestic ratepayers on the Council's expenditure plans is contained in Section 65 of the Local Government Finance Act 1992. Matters that the Council has to have regard to when undertaking consultation include:
- I. Consultation must be undertaken at a formative stage in the decision making process inviting representation on one or more possible courses of action with a view to winnowing out errors in the decision-maker's provisional thinking
 - II. Consultation requires a genuine invitation for advice and a genuine receipt of that advice
 - III. It is permissible to narrow the range of options within which to consult and then decide
 - IV. There is generally no obligation to consult upon options the decision maker has discarded, unless it is necessary to establish a fair basis for genuine consideration of options

- V. Sufficient reasons for a proposal must be given to permit intelligent consideration and response
- VI. Adequate time must be given for consideration and response
- VII. The overriding requirement is for Fairness

15.4 In considering the advice of officers, and the weight to be attached to that advice, Members should have regard to the personal duties placed upon the Director of Finance as Chief Financial Officer. The Director of Finance is required by Section 151 of the Local Government Act 1972 and by the Accounts and Audit Regulations 2003 to ensure that the Council's budgeting, financial management, and accounting practices meet relevant statutory and professional requirements. (IA)

16 Comments of the Assistant Director Organisation Development and Human Resources and compliance with the equality act

16.1 There are no staffing issues arising from this report. Any equalities impact will be assessed through individual projects, programmes and service delivery. KH

17 Comments of Overview and Scrutiny

17.1 This report will be considered by Overview and Scrutiny Management Committee at its Budget meeting of Friday, 10 February 2023. Any recommendations or comments agreed by the Committee will be submitted to Cabinet for consideration alongside the report. Ref: Sc7243 [MK].

18 Collection Fund and Council Tax Implications

18.1 The Local Government Finance Act 1992 (as amended by the 2003 Act and the Localism Act 2011) sets out the powers and duties of the Council in setting the annual Council Tax. The key requirements are that:-

- i) Council Tax is set at Full Council.
- ii) Council Tax is set at a sufficient level to meet its proposed budget requirements for the ensuing year (see Sections 31A and 31B of the Act).
- iii) The level of Council Tax is set before 11 March to enable circulation of Council Tax bills to enable people to pay on and after 1 April (see Section 30(6) of the Act).
- iv) The Chief Finance Officer must report on the robustness of estimates and the proposed adequacy of reserves (see Section 25 of the Act and paragraph 14 above).

- 18.2 The Council is required to set a Council Tax sufficient to balance the Collection Fund account it maintains. Based on the projections at November 2022 and looking back at the income received in 2022/23, it is forecast that there will be a surplus on this account at year end. Hull City Council's net surplus is forecast to be £1.5m and will be paid to the General Fund in 2023/24.
- 18.3 Under section 52ZB of the Act, each billing authority must determine whether its relevant basic amount of council tax for a financial year is excessive. If an authority's relevant basic amount of council tax is excessive, a referendum must be held in relation to that amount. Using the Governments' principles determined by the Secretary of State under section 52ZC of the Act, the Councils' relevant basic council tax for 2023/24 is not excessive and therefore no referendum is required.
- 18.4 The Cabinet approved a Council Tax Base of 64,983 (Band D equivalents) for 2023/24 at its meeting on the 23 January 2023. Given the Council Tax requirement of £105,196,430, the Band D Council Tax proposed for 2023/24 is £1,618.83. This represents an increase of 4.99% over the 2022/23 charge. This is below the limit of 5% (including 2% for Social Care), above which the Government require a local referendum to take place to confirm such an increase.

Table 6 Proposed Council Tax Charge per Band

Band	Charge 2022/23 £	Proposed Charge 2023/24 £	Increase £	Increase per week £
A	1,027.93	1,079.22	51.29	0.99
B	1,199.25	1,259.09	59.84	1.15
C	1,370.57	1,438.96	68.39	1.32
D	1,541.89	1,618.83	76.94	1.48
E	1,884.53	1,978.57	94.04	1.81
F	2,227.17	2,338.31	111.14	2.14
G	2,569.82	2,698.05	128.23	2.47
H	3,083.78	3,237.66	153.88	2.96
NB These figures exclude the charges for the Police and Fire Services				

- 18.5 The precept for the Humberside Police and Crime Commissioner for 2023/24 is £17,427,791. When this amount is divided by the approved Council Tax base of 64,983, it gives a Council Tax charge for a Band D property in the Kingston upon Hull area of £268.19. This is an increase of £14.99 (5.9%) on the 2022/23 charge and is below the £15 level at which a referendum would be required.
- 18.6 The precept for the Humberside Fire Authority for 2023/24 is £6,179,883. When this amount is divided by the approved Council Tax base of 64,983, it gives a Council Tax charge for a Band D property in the Kingston upon Hull

area of £95.10. This is an increase of 4.99 (5.5%) on the 2022/23 charge and is below the £5 level at which a referendum would be required.

19 Equality Impact Assessment Analysis

- 19.1 Section 149 of the Equality Act imposes a Public Sector Equality Duty on 'public authorities' when exercising public functions to have due regard to the need to:
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 19.2 Relevant protected characteristics are – age, disability, gender reassignment, pregnancy and maternity, race, religion and belief, sex and sexual orientation and, to a more limited extent, to the protected characteristic of marriage and civil partnership.
- 19.3 To 'have due regard' means that in making decisions and in its other day-to-day activities the Council must consciously consider the need to do the things set out in the general equality duty: eliminate discrimination, advance equality of opportunity and foster good relations.
- 19.4 The Council will only be able to comply with the general equality duty in relation to a decision, if the ultimate decision maker:
- understands the Council's obligations under the general equality duty
 - has sufficient information
 - Demonstrably takes this information fully into account throughout the decision-making process.
- 19.5 The courts have stressed the importance of having due regard before and at the time that a particular policy is being considered, and of exercising the duty with an open mind.
- 19.6 For proposals contained within this report leading to ongoing changes in services design and delivery, service managers will continue to consider 'due regard' for equality and demonstrate this via Equality Impact Analysis assessments.
- 19.7 It should also be recognised, that there will be positive impacts too from investment in capital projects supporting such as Housing Regeneration, Visitor Destination, Highways, A63 Bridge and infrastructure improvements which will particularly benefit older and disabled people. ICT improvements will likely mean better access for staff and customers particularly disabled, younger people and women.

19.8 The EIAs will be developed in consultation with stakeholders such as Elected Members, Trade Unions, protected groups, customers and users of services/policies.

Councillor Mike Ross, Leader of the Council

Contact Officer – David Bell Tel. 01482 613084

Officer Interests: *None*

Background Documents:

- (i) MTFP Cabinet Reports November 2021 / July 2021*

Implications Matrix

I have informed and sought advice from HR, Legal, Finance, Overview and Scrutiny and the Climate Change Advisor and any other key stakeholders i.e. Portfolio Holder, relevant Ward Members etc prior to submitting this report for official comments	Yes
I have considered whether this report requests a decision that is outside the Budget and Policy Framework approved by Council	Yes
Value for money considerations have been accounted for within the report	Yes
The report is approved by the relevant City Manager	n/a
I have included any procurement/commercial issues/implications within the report	Yes
I have considered the potential media interest in this report and liaised with the Media Team to ensure that they are briefed to respond to media interest.	Yes
I have included any equalities and diversity implications within the report and where necessary I have completed an Equalities Impact Assessment and the outcomes are included within the report	Yes
Any Health and Safety implications are included within the report	Yes
Any human rights implications are included within the report	n/a
I have included any community safety implications and paid regard to Section 17 of the Crime and Disorder Act within the report	Yes
I have liaised with the Climate Change Advisor and any environmental and climate change issues/sustainability implications are included within the report	Yes
I have included information about how this report contributes to the City Plan/ Area priorities within the report	Yes