

Report Title:	2025/26 Draft Budget
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Lynne Jones, Deputy Leader and Cabinet Member for Finance
Meeting and Date:	18 December 2024
Responsible Officer(s):	Julian McGowan, Assistant Director Finance
Wards affected:	All

## **REPORT SUMMARY**

This report sets out the council's proposed draft revenue and capital budgets for 2025/26 and the Medium-Term Financial Plan through to 2029/30. This includes essential areas of expenditure for the council, to meet its statutory duties, recognises the extremely challenging financial position the council is facing and addresses recommendations following external reviews during the current year.

Despite the significant action taken over the past 18 months to get the council's financial situation under control - by making savings, transforming services, generating income and strengthening governance and reporting, the council is on the brink of effective bankruptcy unless tough decisions are taken, and additional government support is granted.

As laid out in this report and its appendices, difficult decisions have been made – and will need to continue to be made - in order to present a draft budget for 2025/26 which balances overall.

High inflation and interest rates have continued to drive up the cost of providing services. At the same time, demand for services particularly adult social care, children's services and temporary accommodation – has also continued to rise. The council is also increasingly seeing more complex care needs presented by children, young people and adults, which is driving costs up further.

While these challenges are being felt by councils across the country, what makes the Royal Borough's financial challenges more acute is the significantly lower level of council tax income compared to most other authorities, meaning the council does not have the financial resilience to meet these pressures.

The low levels of tax income received are a result of historic decisions to cut council tax year after year over a sustained period from 2010. Although this has meant lower bills for residents, the impact on the council's budget has been severe, leaving the council unable to adequately fund local services and with insufficient financial reserves to withstand financial pressures. If the council had increased council tax in line with other councils nationally over that period, the budget would now be more than £30m higher and the council would not be facing the scale of challenge it currently does.

Another specific challenge is that the council has high levels of debt, relative to the size of the overall budget. The council's net revenue budget in 2025/26 is £127.4m,

with debt now standing at over £230m. The cost of servicing this debt is more than £18.6m a year, the equivalent of almost 15% of council spend.

The council's financial position has also more recently been significantly worsened by the discovery of errors in the accounts going back to 2021. These historic accounting errors – currently estimated at £30m – need to be rectified and scored against current revenue budgets, increasing the pressure on budgets even further.

While it is clear that the council needs a substantial financial support package from government in the form of a capitalisation direction, permission to significantly raise council tax above the current cap is also needed to set a balanced budget next year and start to build back resilience over the medium-term.

The modelling in this report demonstrates that without a significant council tax increase above the capped level, aligned more closely with the borough's neighbouring areas, the council is unable to reach financial sustainability. The impact of not being able to do this would likely mean that the council would be forced to declare itself unable to meet its liabilities and file a statutory Section 114 notice.

Formal discussions with government, on Exceptional Financial Support (EFS), have been on-going since May this year, although a response is not expected until the new year. The provisional local government settlement for 2025/26 has also not yet been published (although is expected on 18 or 19 December). Therefore, this paper uses estimates where information is not yet known, including the level of income required to balance the budget, making clear the significant scale of the challenge facing the council.

The proposals detailed in this report also reflect the council's Financial Improvement and Sustainability Plan. Detailed within five core themes – the plan sets out the action we have taken and will take to improve governance, control expenditure, reduce cost, prioritise resources, maximise value and better utilise the council's asset base - providing a framework to guide council decision making and future direction.

The proposals in this paper will be consulted on in the period between this Cabinet and the budget meetings of Cabinet, in February 2025, and Full Council in March 2025. They will also be reviewed by the Corporate Overview and Scrutiny Panel in January with the other Scrutiny Panels having the opportunity to feed their comments in for consideration.

The results of these consultations will be reported to Cabinet in February 2025 alongside analysis from engagement with other appropriate stakeholders including residents, businesses, and partner organisations.

## 1. DETAILS OF RECOMMENDATION(S)

**RECOMMENDATION:** That Cabinet reviews the council's approach to setting the budget and:

- i) notes the draft revenue budget for 2025/26 which shows an in-year deficit of £32.974m and, together with historic problems and the current year's forecast outturn, would require Exceptional Financial Support of £60.281m combined with a council tax increase of 20% above the cap level;
- ii) notes that without an council tax increase the 2025/26 budget would require Exceptional Financial Support of £76.848m to balance for one year, however this would not be sustainable from 2026/27 onwards and is likely to result in a section 114 notice;
- iii) notes the Medium-term Financial Plan and 2025/26 capital programme set out respectively in Appendices A and C;
- iv) considers the proposed budget pressures and savings set out in Appendices D and E;
- v) considers the proposed fees and charges for 2025/26 set out in Appendix F;
- vi) notes the equality impacts assessments at Appendix G; and
- vii) agrees to commence public consultation on the draft 2024-25 budget on 19 December 2024, including proposals to increase council tax by the maximum allowed by government.

## 2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

### Options

**Table 1: Options arising from this report**

Option	Comments
Agree to start public consultation on the draft budget for public consultation, prior to final budget setting in February / March 2024.	Residents will be able to assess how the council is planning to meet its statutory duties.  By starting on the 19 December, the consultation can run for six weeks, allowing for the festive holiday period.  This is the recommended option.
Do Nothing	The council will be unable to commence budget consultation and residents will not have the chance to assess the budget proposals

## 3. KEY IMPLICATIONS

- 3.1 The council has stated clearly that it is not financially sustainable without Exceptional Financial Support, both in the form of a capitalisation direction

and an council tax increase above the capped level. Without this support the council will be unable to set a balanced budget for 2025/26.

#### **4. NATIONAL CONTEXT**

- 4.1 For over a decade, local authorities have faced significant spending reductions as part of government efforts to reduce the national budget deficit. It has been a turbulent and challenging period, with the economic shocks and societal changes brought about by the pandemic, followed closely by economic turbulence, including the energy and cost of living crisis.
- 4.2 Caps on the percentage increase permitted on council tax limits local authorities' ability to raise additional revenue to cover rising costs. Demand and costs have increased, particularly in children's services and adult social care, as well as housing and homeless services. High and unpredictable rates of inflation, coupled with sharp increases in interest rates have increased costs across the board. This has affected all areas of council spend, as well as the cost of living for residents and business operating costs.
- 4.3 An increasing number of councils are publicly stating that they are at risk of having to issue a statutory section 114 notice in the near to medium-term, with a significant number in active discussion with MHCLG on exceptional financial support to set their budgets for 2025/26. This follows the 19 councils who received EFS to set their 2024/25 budgets.

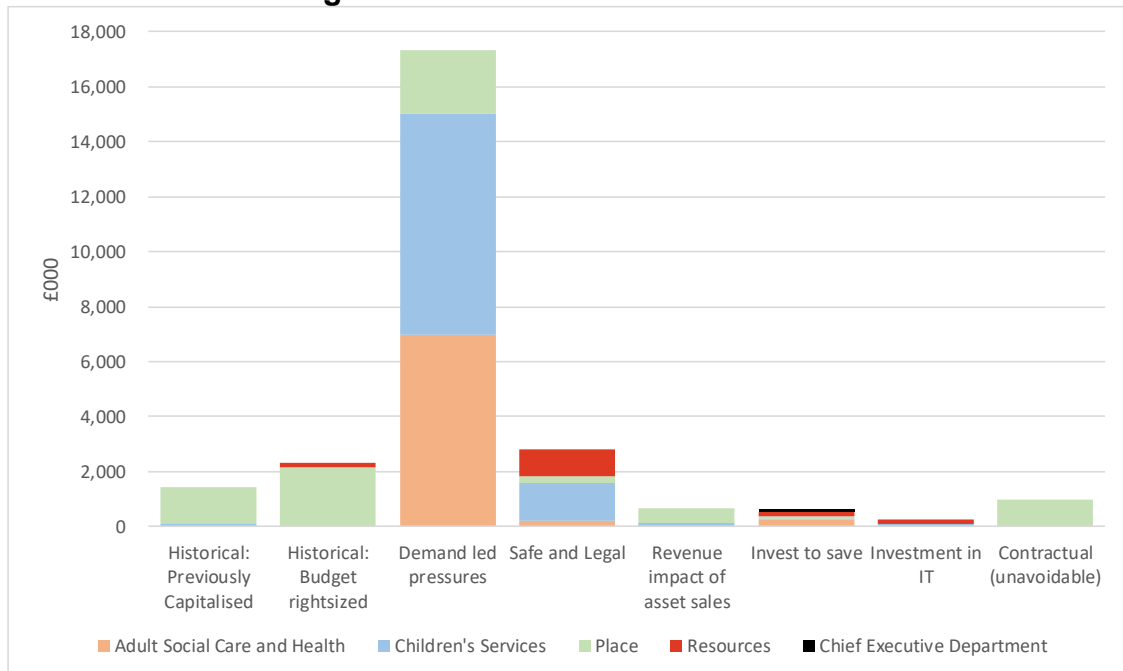
##### **Corporate Priorities**

- 4.4 The approach taken this year to develop the budget proposals has continued to focus on the aim of aligning delivery of the Cabinet's key priorities within the Council Plan, focused on putting the council on a strong financial footing to serve the borough effectively.

#### **5. DRAFT REVENUE BUDGET AND MEDIUM-TERM FINANCIAL PLAN**

- 5.1 The revenue budget has to be set in the context of the level of reserves the council has. Work on the 2023/24 accounts is ongoing and the 2024/25 outturn is a forecast, but at the time of writing our best estimate is that opening general fund reserves will be £43.878m in deficit. This makes up the majority of the request for EFS.
- 5.2 Appendix B details the draft revenue budget for 25/26 assuming council tax is raised in line with the cap (i.e. 2.99% plus an Adult Social Care precept of 2%). This shows that on this basis we have an in-year funding shortfall of £32.974m which is not a sustainable position.
- 5.3 Through our detailed work to set a budget for next year, we have scrutinised and challenged growth requirements to keep it to a minimum. However, growth is needed in order to rectify historic budget issues, rebuild capacity in core corporate and front-line teams such as finance, deal with macro-economic factors outside our control and respond to severe demand-led pressures particularly in temporary accommodation and in children's and adult social care. The following chart details a broad categorisation of growth:

**Chart 1: 2025/26 Budget Growth**



- 5.4 Taken together, this base scenario results in the requirement for EFS in the form of a capitalisation direction of £76.848m for 2025/26. It should be noted that typically exceptional financial support takes the form of a capitalisation directive – this allows the council to capitalise revenue spend and depreciate it over 20 years. Therefore, there is no additional funding, and a council is in effect taking out borrowing to fund revenue spend. This is unsustainable for the council and makes a section 114 notice inevitable.
- 5.5 Appendix A sets out the medium-term financial plan on this base scenario and demonstrates this will result in the council becoming more unsustainable.
- 5.6 Appendix A also sets the scenario which is informing the ongoing discussions with MHCLG. This is a council tax increase 20% above cap in 2025/26 which allows the council to move to a sustainable position over the medium term – with a growing budget surplus and reserves starting to be built back to more sustainable levels over the medium-term. It should be noted that this option still requires an EFS capitalisation direction, but at lower level (add level)
- 5.7 For the scenarios with a council tax increase above cap, the council will increase the S13A(1)(c) policy provisions for those struggling to pay the increased changes by £2m in 2025/26, and £0.5m thereafter meaning that those receiving council tax support would be insulated from any increase in council tax above the capped level.
- 5.8 The main assumptions underlying these financial plans are as follows:
- Pay inflation of 3%, whilst general inflation is assumed at 2%
  - Overall social care inflation is at 6% next year, 4% thereafter.
  - Temporary accommodation is at 6% next year, 2% thereafter.
  - National insurance increases are funded for direct employees only.
  - Capital receipts are used to pay down the EFS as soon as possible.
  - The social care transformation review achieves 10% savings in social care budgets, which start to be realised in 2025/26 but are mainly in 2026/27.

- 5.9 The Local Government Policy Statement in late November also confirmed that the flexible use of capital receipts be extended until 2030. This budget has been prepared on the assumption this flexibility would not be extended; further work will be done ahead of the final budget to explore how this flexibility can be utilised.
- 5.10 A summary of the budget headlines from each directorate is set out below.

### **Adults, Health and Communities Directorate**

- 5.11 Table 2 sets out the overall budget for the directorate including growth, efficiencies, and inflation.

**Table 2: Adults, Health and Communities Budget**

	<b>Base Budget*</b> <b>£000</b>	<b>Inflation</b> <b>£000</b>	<b>Savings</b> <b>£000</b>	<b>Growth</b> <b>£000</b>	<b>2025/26 Budget</b> <b>£000</b>
Director and commissioning	3,176	105	(102)	195	3,374
Adult Social Care	41,878	2,842	(742)	7,226	51,204
Public Health	5,212	0	0	0	5,212
Public Health Grant	(5,212)	0	0	0	(5,212)
<b>Total</b>	<b>45,054</b>	<b>2,948</b>	<b>(844)</b>	<b>7,421</b>	<b>54,578</b>

\*Base budget includes commitments (i.e. known changes from prior year) and funding changes

- 5.12 There are national pressures on social care services driven by: increased demands on the wider health and care system; continued increases in complexity of individual needs; and the increased costs for all parts of the system. Nationally partners in care and health have reported that local authorities increased adult social care spending by 15.5% in 2023/24 and planned spending on adult social care in 2024/25 increased by a further 10.1%.
- 5.13 In the Royal Borough we continue to see people living longer and the proportion of the population aged 65 and above is estimated to be growing at 1.8%, the fastest rate of any age group. During the last year, the total number of people receiving services from the council has remained relatively flat at about 1,100 residents. Much of this is the result of the practice improvements carried out by the service to help people remain independent at home for longer.
- 5.14 At the same time there is evidence that people are developing more conditions at an earlier age and therefore living with poor health for longer. Across the South East the Office for Health Improvement and Disparities note that there is a significant growth in number of people with multiple long-term conditions and the gap between life expectancy and healthy life expectancy is increasing, meaning people are living longer in poor health.
- 5.15 As a result, we are seeing an increase in the level of support required for people already receiving services, while those coming to us for the first time have higher needs than historically experienced.
- 5.16 The Royal Borough is home to a large number of high-quality organisations who provide care both in people's home and in a residential setting. This gives a strong market for individual choice and means most requests for care can be arranged quickly; however, the costs of these services will be impacted by

the increase in national living wage and the change to employers' national insurance contributions.

- 5.17 The large number of residential providers creates a vibrant choice for those looking to arrange their own care, however we have experienced a 400% increase in the number of people who cannot afford to continue to pay for their care over the past two years, with the council picking up the duty to ensure that their care needs are met. A typical care home placement costs the council £62,400 per year for one resident, and we are seeing on average three coming to our attention each month.
- 5.18 During 2024/25, a significant amount of work has been done to assess the sustainability of the budgets within adult social care following the recommendations of CIPFA and the council's best value auditors. The service has estimated the cost of provision for everyone receiving a service in the first half of 2024/25 to identify the base budget requirement. This analysis indicated a budget shortfall of £3.67m to pay for services already committed. This is a major element of the in-year pressure and request for 2025/26.
- 5.19 Further analysis then assessed the increasing level of need being presented, above the base budget assumptions of 2024/25. This increasing level of need in 2024/25 is likely to be repeated in 2025/26 and therefore the budget growth includes the shortfall for the current year and an allowance for next year. Across residential and nursing provision, the service estimate that the average cost per person to meet their increased level of need is about £150 per week. With the volume of changes, there is a required increase in budget of c£1.12m compared to the 2024/25 base budget. The corresponding increase for care at home, also known as domiciliary care, is estimated at c£0.81m based on an average weekly increase in cost of £11,723 calculated over the first six months of the current financial year.
- 5.20 The national inflationary pressures described for the sector will have differing effects on different suppliers depending on their circumstances. It is proposed to increase the hourly rate for care at home to £21.83, which is included in the inflationary increase of c£2.95m which also includes the expected increase in cost of residential services purchased through both block contracts and spot purchases in the past.
- 5.21 These pressures also impact the council owned provider, Optalis. Following activity to bring a number of statutory services back into the council during the current year, this organisation is now focused entirely on delivery of high-quality services to residents, with a significant number of roles at lower rates of pay. It is estimated that to retain sufficient permanent staff to meet the current level of demand, the services will require a further c£0.6m, reflecting the in-year pressures.
- 5.22 The service area has been working with colleagues in Children's Services and have identified that we can help young people with life-long needs to achieve better life outcomes if we are able to start those conversations at a much earlier age. This systematic change will take a while to develop, however we have started to work with young people aged 18-25 who are currently being supported by children's services to plan their transitions. This requires additional short-term capacity and will incur adult services costs to provide the support to meet the assessed needs.

- 5.23 As part of the transitions work described above, there will be an increased workload relating to the development and understanding of local supported accommodation that will be needed during the first year. Overall, adult social care expenditure is estimated to increase by £0.84m to support this change in service delivery.
- 5.24 The Adult Social Care services had a Care Quality Commission (CQC) assurance visit during the first half of 2024/25, scoring 62 out of 100 with a Requires Improvement rating. The report, as reported to Cabinet in December 2024, recommends continuing the improvement plan set out in late 2023. This includes replacing the ageing computer system to: support workers with a streamlined process; introduce significant levels of automation to the financial elements of the service; and bringing more management information to the fore.
- 5.25 The CQC also indicated that the low staffing capacity was impacting the time that some residents were waiting for assessments from occupational therapists and reviews from social workers. The assessment also noted the positive increase in speed of helping people to be discharged from hospital as a result of joint work with the NHS, which was funded on a pilot basis. It is proposed to permanently increase the staffing levels in the service to address these finding, adding £0.24m to the budget.

#### Adults, Health and Communities mitigations

- 5.26 Following the move of statutory services from Optalis to the council, the service will be running a year-long campaign of permanent recruitment for the professional roles that are currently covered by 22 agency staff. This campaign will offer a competitive remuneration package, including local government pension and continuous service recognition which is a material change from the previous Optalis offer. Clearly the service will not be able to find or accommodate that number of new starters in one go, so the target is to reduce the number of agency staff by 66% by the end of the year. This offers a potential cost saving of £0.18m by 2026/27. There are further savings of £0.12m as a result of further efficiencies flowing from the move of services to the council.
- 5.27 As part of the council's financial improvement plan, the Communities team is focused on supporting the adult services initial point of contact to signpost residents to the range of support available to support independent living. There will be a reduction in the wider resources applied to this area during the year and we have combined the management of this area with the adult care service on an interim basis, offering an overall saving of £0.12m as a result.
- 5.28 The council has contracted with Newton, a nationally known consultancy, to seek transformation across the breadth of all social care with the aim of driving down medium-term costs while maintaining the focus on good quality services. In 2025/26, it is anticipated that adult social care services will be able to make some early gains through the adoption of technology and earlier preventative work and the draft budget includes an estimate of £0.54m of savings. The validation of this is due during January 2025 based on the current transformation project timetable.
- 5.29 The analysis for this year indicates that the services have been successful with their work to help people remain independent and at home for longer



through the use of strengths-based practice. This has reflected in a broadly flat total number of people in receipt of services during 2024/25 despite the predicted 1.8% increase in the population aged 65 and over. Given the council's overall financial position, the service will once again try to contain that growth during 2025/26, representing a cost avoidance of c£0.75m

- 5.30 The public health allocation for 2025/26 has not yet been announced, this is usually in the new year, separate from the local government settlement. As such this budget remains unchanged at c.£5.2M. This allocation is one of the smallest public health grants in the country. The grant is allocated by the Department of Health and Social Care and is spent against mandated Public Health services with robust monitoring and reporting in place.

### Children's Directorate

- 5.31 Table 3 sets out the overall budget for the directorate including growth, efficiencies, inflation and other related changes. No changes are shown against the school's expenditure or Dedicated Schools Grant (DSG) lines as the grant settlement for DSG has not yet been announced.

**Table 3: Children's Services Budget**

	<b>Base Budget*</b> <b>£000</b>	<b>Inflation</b> <b>£000</b>	<b>Savings</b> <b>£000</b>	<b>Growth</b> <b>£000</b>	<b>2025/26 Budget</b> <b>£000</b>
Children's services	29,349	1,934	(2,971)	9,785	38,097
Schools expenditure	86,276	0	0	0	86,276
Dedicated Schools Grant	(86,276)	0	0	0	(86,276)
<b>Total</b>	<b>29,349</b>	<b>1,934</b>	<b>(2,971)</b>	<b>9,785</b>	<b>38,097</b>

\*Base budget includes commitments (i.e. known changes from prior year) and funding changes

- 5.32 Within the Royal Borough, by far the biggest driver of growth in the Children's Services budget is the cost of children and young people's care placements. An additional £7.693m is required to meet the cost of placements for a cohort of children the same size and profile as those currently in place, with the addition of five Care Leavers, because we know these young people will be turning eighteen.
- 5.33 This significant growth request for care placements is not because the Royal Borough has seen an increase in children in care numbers or have a disproportionate number of children and young people in its care. When benchmarked against other authorities, the rate of children in care per 10k child population in the Royal Borough is 39.5, which is significantly lower than national (70) and statistical neighbours (48). Ofsted, in its recent inspection of social care in the Royal Borough, concluded that thresholds for bringing children and young people into its care are appropriate. Over the last five years, the number of children in care in RBWM has largely been stable.
- 5.34 Alternatively, and as reflected nationally, since the budget for 2024/25 was set, the Royal Borough has seen a re-profiling of children into higher cost external residential care placements. Prior to 2024/25, the trend over a number of years was to have 16-18 children and young people in external residential placements and the budget for this was set accordingly. However, this number has significantly increased, with a current unprecedented number of 35 children and young people in external residential provision. The two key

drivers for this are insufficient and reducing foster care capacity, alongside growing complexity of need. To illustrate this, in 2023/24, the Royal Borough was funding 1303 external residential placement weeks. In 2024/25, this has grown to 1820 forecast residential placement weeks, with our budget only set for 1404 weeks (a shortfall of 416 weeks compared to the budget).

- 5.35 Furthermore, in 2023/24, the average weekly cost of an external residential placement was £3,866, but in 2024/25, this has significantly increased to an average of £5,258 per placement week. The Royal Borough currently has 16 children and young people in external residential placements that range between £5k and £10k per placement week, with two over £10k a week, and the highest being £16k per placement week for one young person.
- 5.36 The local picture reflects the national position, where there are significant pressures around the sufficiency of children's social care placements. The sector is seeing an increasing use of expensive external residential placements. Whilst some children and young people are appropriately placed in external residential options, a cohort are only placed in such provision because of the unavailability of alternative arrangements, and this is reflected in the Royal Borough too. The growing number of external residential placements coincides with higher costs of individual placements with the average cost now exceeding £5,000 per week and many placements far exceeding £10,000 per week, as noted above. Nationally, demand is outstripping supply, and external providers are therefore charging what they like for placements for children and young people without any controls in place. The government has pledged to 'crack down' on care providers making excessive profit from care placements and we await government plans in this area.
- 5.37 The recruitment and retention of social workers is also a national challenge, with many social workers deciding to work for recruitment agencies, where they are likely to receive a higher salary and more flexibility. This means that councils are faced with employing more expensive agency staff to ensure that their statutory responsibilities are met. Recruitment and retention of staff continues to be challenging for the Royal Borough too, with additional funding of £0.617m being required to address the impact of the cost of agency placements and uplift salaries in the Fostering team to bring them in line with other social workers.
- 5.38 Linked to the increase in the number and complexity of placements, additional staffing is required to ensure caseloads in statutory social work teams in the borough are safe and manageable, at a cost of £0.515m. The number, complexity and length of legal cases has also increased, leading to an additional budget requirement of £0.287m.
- 5.39 When benchmarked against other authorities, Children's Services in the Royal Borough of Windsor and Maidenhead (delivered by the community interest company, Achieving for Children) performs well. The Impower Index places the borough at above average performance, with below average spend, demonstrating good value for money. Overall 'spend' is 15th lowest out of 150 authorities. The recent Ofsted inspection of children's social care and early help resulted in an overall rating of 'good' with 'outstanding' features and all other regulatory inspections are rated as 'good' across the board. 92% of schools in the borough are rated as good or outstanding. In terms of demand

management, the Royal Borough also benchmarks well. RBWM has, on average, 232 open episodes of need per 10k child population, compared with national (334) and statistical neighbours (283). The rate of Child Protection Plans per 10k child population is 37 for RBWM compared with 42 national (42) and statistical neighbours (42).

#### Children's Service mitigations

- 5.40 An ambitious transformation programme is in place in Children's Services which will be continued and built upon into the new financial year. In addition, the council has contracted with Newton, a nationally known consultancy, to seek transformation across the breadth of all social care with the aim of driving down medium-term costs while maintaining the focus on good quality services.
- 5.41 Mitigations to reduce expenditure in the area of placement sufficiency includes the work of the Families Together Team to ensure that only the right children come into the care of the local authority, the development of the kinship care programme, promulgation of good practice to step down 12 young people from external residential placements into other alternatives (where safe and appropriate), the development of an in-house residential home (which will open in the summer of 2025) and engagement with the South East Regional Care Cooperative pilot.
- 5.42 Reviewing all of the placements for Children in Care and Care Leavers, alongside the work to 'step down' placements, and work with children, young people and families to ensure that only the right children and young people come into the care of the local authority, aims to deliver savings of £0.502m on placement costs.
- 5.43 The opening of a 3-bed in-borough residential Children's Home in June 2025 is expected to deliver savings of £0.362m over the medium term (£0.94m in 2025/26). This new home will improve local options for young people who are likely to be in care long term but are not suitable for foster care.
- 5.44 A programme of work will commence to ensure that, wherever possible, commissioning activity in relation to unaccompanied asylum-seeking children and young people delivers support within the grant funding available. This will avoid placing an additional cost burden on the council and is expected to deliver a saving of £1.451m.
- 5.45 There are risks for the budget 'in year' during 2025-26. The growth assumptions within the Children's Services budget proposals reflect the impact of supporting the current cohort of children and young people or an equivalent number of care placements in 2025-26. There is no allowance for any increase in the overall number of children or young people in placements, which carries a significant risk if demand continues to grow. The council is committed to ensuring that the safety and welfare of children and young people remain paramount.
- 5.46 The savings proposal includes £0.502m savings from stepping down placements to a level that meets a young person's needs. This is partially reliant on good foster and residential placements being available in a growing national shortage.

## Place Directorate

- 5.47 Table 4 sets out the overall budget for the directorate including growth, efficiencies, inflation and other related changes.

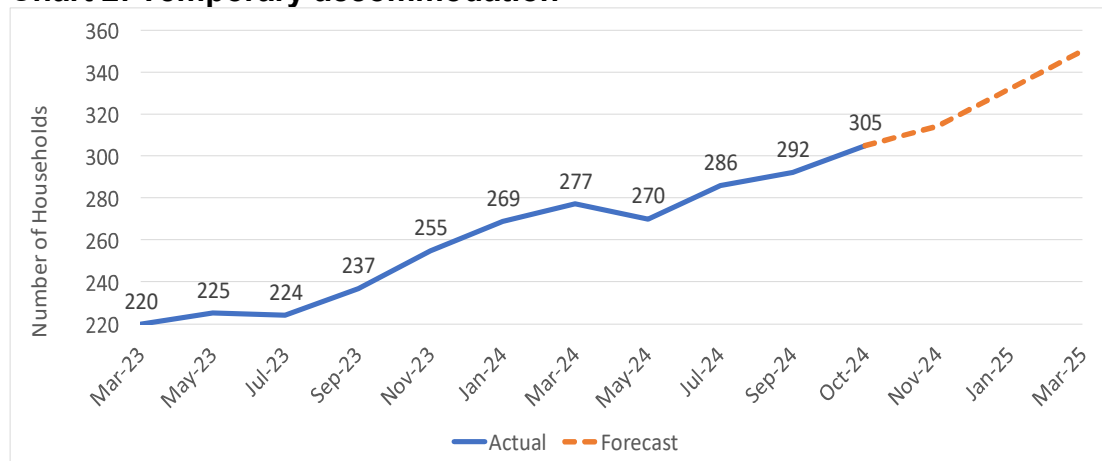
**Table 4: Place Budget**

	Base Budget* £000	Inflation £000	Savings £000	Growth £000	2025/26 Budget £000
Director budgets	375	7	0	0	382
Housing & public protection	3,435	412	(253)	1,950	5,544
Placemaking, part. & sust.	3,999	141	(605)	200	3,736
Neighbourhood services	5,896	520	(600)	3,972	9,787
Planning	1,142	(82)	(200)	839	1,699
Property services	(3,331)	8	0	704	(2,619)
<b>Total</b>	<b>11,516</b>	<b>1,006</b>	<b>(1,658)</b>	<b>7,665</b>	<b>18,529</b>

\*Base budget includes commitments (i.e. known changes from prior year) and funding changes

- 5.48 Nationally, it has been well documented, that temporary accommodation (TA) is at the heart of England's housing crisis. Reported to be almost 120,000 households in TA which has increased by almost 25% in the last three years.
- 5.49 More locally, the council's Housing Service is seeing similar trends with the number of households set to reach 350 by the end of the 2024/25 financial year and is currently tracking at 305 clients. This has resulted in a £1.8m growth proposal in the budget for next year. As the number of available properties become less and with the ever-decreasing private rental market, prices continue to soar and means that on average a household in TA can cost the council up to £20,000 per annum.

**Chart 2: Temporary accommodation**



- 5.50 The use of the borough's car parks continues to see considerable volatility, whilst income has increased year on year, usage is decreasing. In part, as with the national picture, people have significantly changed their travel habits since the pandemic and with more agile arrangements for working from home two to three days a week.
- 5.51 During 2024/25 parking fees and charges were also increased, and whilst reporting shows an increase in income of around 9%, the utilisation of car parks has decreased with less people parking and there has been significant decrease in resident permits purchased. This suggests the budget was over ambitious, on reflection, and therefore, a detailed review of performance by

individual car park has been undertaken and the results fed into location-specific adjustments to fees and charges for the 25/26 budget.

- 5.52 The historical issues faced within the parking budget, will be corrected with a more accurate baseline and supported by a significant growth request to help right-size the Place Directorate budget for next year.
- 5.53 The proposed growth budget for Place in 2025/26, amounts to a total of £7.66m. This has been prioritised over the course of the budget setting process, with a much larger number of proposals deprioritised at this stage. The proposals are spilt into the following categories:
- £1.18m Investment in council assets, ensuring compliant buildings across the council's estate through planned preventative maintenance that is not appropriate for capital expenditure. This is a crucially important element for Place growth proposals as without regular care and maintenance of the authority's assets it will either neglect and store up costs for a later stage or present legal issues of non-compliance of essential health and safety.
  - £2.83m Historical discrepancies to right size the Place budget, which includes the reapportionment of income budgets that have become overstated in terms of achievable targets because they were baselined against forecast rather than actual revenues achieved. Over time this has created a significant gap between actuals and forecast that needs to be carefully addressed and 'right-sized' moving forward. There is also an issue with some revenue budgets not being regularised to account for the removal of capital budgets for certain spend that has been identified. Therefore, to avoid year on year pressure of known expenditure, growth is required to again correct the historical discrepancies and allow the council to increase fiscal control of its own budgets.
  - £1.02m The Place Directorate is investing existing resource, new focus and alongside new frameworks to improve contractual management and procurement of new services. It has been identified that some contractual requirements are superseding previous budgets and therefore these proposals aim to ensure adequate contract inflation is built in and that there is broader alignment of budgets to contract specification and or contract variations that may have been implemented previously.
  - £2.63m A significant proportion of Place growth relates to demand-led resourcing, an example of this and previously outlined within the report, is the continued pressures in housing and temporary accommodation. However, there are also in year pressures (24/25) that demonstrate continued demand led issues in the council's planning income, which is market dependant and currently falling behind forecasts.

#### Place Directorate mitigations

- 5.54 The Housing service is progressing several projects, aligned to Future Shape Transformation, to address the financial challenges in relation to temporary accommodation. This includes a pilot to identify a range of housing solutions within the private rented sector, delivery of new temporary accommodation

stock at St Edmunds and working alongside our registered housing providers to provide local properties via Local Authority Housing Fund.

- 5.55 Whilst Parking Service revenue continue to grow year on year, it is falling further behind budget. The development of the new parking strategy continues, which will inform future decisions on setting fees and generating income. Some detailed analysis has been conducted on price, occupancy, income, and capacity and will feed into the wider strategy, whilst also providing a more realistic projection of achievable income. Moving traffic enforcement is now up and running and penalty notices have been issued for contraventions, early indication is that compliance is increasing, and any revenue generated will be reinvested back into the service.
- 5.56 Contract and service improvement continues to be a focus for the Place directorate. New systems and processes have been implemented to improve the day-to-day management of the council's major contracted services, a substantial overhaul of contract re-procurement to seek better quality and reduced costs. A live example is the leisure contract which anticipates a positive management fee back to the council.
- 5.57 Asset rationalisation continues at good pace, the first phase of Reform Road has been completed, generated £3.5m in capital receipt, the wider development land sale is also being progressed. This forms part of the councils Asset Strategy review, considering the use of existing premises, commercial optimisation and potential sales if surplus to requirements.

### Resources Directorate

- 5.58 Table 5 sets out the overall budget for the directorate including growth, efficiencies, inflation and other related changes.

**Table 5: Resources Budget**

	Base Budget* £000	Inflation £000	Savings £000	Growth £000	2025/26 Budget £000
Director budgets	633	(125)	(15)	0	493
Finance	2,179	158	0	395	2,732
HR, Corporate proj & ICT	3,412	183	0	673	4,268
Revs, Bens, Library & Res	4,335	117	(3)	282	4,731
Housing Benefit	(419)	0	0	0	(419)
Law & Governance	3,179	125	(8)	124	3,419
<b>Total</b>	<b>13,318</b>	<b>458</b>	<b>(26)</b>	<b>1,473</b>	<b>15,224</b>

\*Base budget includes commitments (i.e. known changes from prior year) and funding changes

- 5.59 Many of the functions in Resources support service delivery. However, the under capacity of many of our teams needs addressing and is clearly a contributing factor to the historic financial problems that have come to light. As such almost all of the growth in budgets relates to the right-sizing of teams. This will enable us to move forward and address many of the control weaknesses we are aware of – for example, income collection, production of accounts, strong procurement, digitisation of services, capacity to deal with legal issues and drive transformation.
- 5.60 Savings of approximately £01m through refining the focus of the Chief Executive and Corporate services functions are also included in the draft budget proposals.

## Non-Service Budgets

- 5.61 Non-service budgets includes the contingency budget, interest on debt, minimum revenue provision and pension fund past service deficit costs. Appendix B includes a breakdown of this, with some of the key assumptions to note:
- A contingency budget of £3.5m has been modelled, including £0.5m to mitigate possible income profile from the ongoing leisure procurement.
  - Minimum revenue provision has been recalculated, including the impact of having reviewed asset lives and moving to a straight-line basis in response to feedback from external reviews.

## Funding including council tax

- 5.62 This includes business rates, council tax and government grants. At this stage the government grant is our best estimate as funding does not get confirmed until the settlement in late December. Appendix B provides more detail.
- 5.63 While this draft budget cannot confirm the approach to council tax levels until agreement is reached with government, Appendix A includes two scenarios which deliver a sustainable position for the council and are based on a significant potential rise in council tax.
- 5.64 Table 6 sets out the impact of change in council tax levels for the Royal Borough in comparison to the other Berkshire local authorities which demonstrates the significant disparity that has developed over time between the different local authorities.

**Table 6: Comparative council tax levels**

Authority	Assumption	2025/26 Council Tax Band D (including major precepts) £
Reading	Council and preceptors increase by 4.99%	2,485.84
Surrey Heath	Council and preceptors increase by 4.99%	2,473.92
Spelthorne	Council and preceptors increase by 4.99%	2,419.79
Buckinghamshire	Council and preceptors increase by 4.99%	2,400.44
Runnymede	Council and preceptors increase by 4.99%	2,386.25
West Berkshire	Council and preceptors increase by 4.99%	2,376.80
Wokingham	Council and preceptors increase by 4.99%	2,376.08
Slough	Council and preceptors increase by 4.99%	2,295.96
Bracknell Forest	Council and preceptors increase by 4.99%	2,153.87
RBWM scenario 1	Council increase 24.99%, preceptors 4.99%	2,018.21
RBWM at cap	Council increase 4.99%, preceptors 4.99%	1,754.06

Note: This table details council tax including an estimate for major preceptors (i.e. Fire and Police). Total council tax will vary depending on which parish a property is within, or if it is unparished, along with the final precepts from fire and police.

- 5.65 We are acutely aware that residents continue to face severe cost of living pressures on the back of a sustained period of strain on household incomes. RBWM offers a comprehensive package of cost-of-living support to our residents.
- 5.66 Going further, we would seek to mitigate the impact of an increase above the current cap by offering a one-off payment to residents who qualify for council tax support at the start of the new financial year. This would be used to offset the increase in bills for those on council tax support. That is to say, if an increase of 24.99% were levied, those on CT support would only be requested to pay the value of an increase up to 4.99% but not above that.



- 5.67 We would utilise our existing powers under S13A (1)(c) to make these payments rather than making a change to our council tax support scheme. This would therefore protect those of both working and pensionable age. The impact of this level of support is factored into our modelling, with an additional £2m included for 2025/26 and £0.5m per year thereafter.

## **6. CAPITAL PROGRAMME AND BORROWING COSTS**

- 6.1 Appendix C details proposed new capital projects for 2025/26 and the expected slippage from current schemes. Given the financial situation, capital schemes have been kept to a minimum and alternative funding used wherever possible.
- 6.2 New projects total £14.443m, but of this only £0.974m is funded from the council's general fund. It should be noted that a number of schemes, particularly schools, are placeholders until we are notified of the grant. The largest schemes relate to infrastructure and are mostly funded from grants or other contributions. In terms of the council funded projects, this is mostly for IT-related schemes.
- 6.3 Current forecasts suggest capital slippage will be £21.215m, of which £2.675m is funded from the council's general fund.

## **7. PUBLIC CONSULTATION**

- 7.1 Pending agreement by Cabinet, the draft budget will be shared for public consultation for six weeks, from 19 December 2024 to 30 January 2025. The consultation will be hosted online at <https://rbwmtogether.rbwm.gov.uk/> and paper copies will be made available in libraries for those without online access.
- 7.2 The consultation will be publicised through a press release, targeted social media, newsletters and direct communications, including emails to a range of stakeholders. Wider engagement with other interested stakeholders including businesses, equality groups and partner organisations will also take place.
- 7.3 Feedback from the consultation will inform the budget meetings of Cabinet and Full Council, and a summary of the consultation feedback will be shared as part of the budget report.

## **8. NEXT STEPS**

- 8.1 The proposals contained in this report will be subject to consultation that will inform final decisions at Cabinet and Full Council. The council will consult with residents, businesses, partners, and internally with council colleagues.
- 8.2 This draft budget will be amended once the Local Government Finance Settlement is published.
- 8.3 The Corporate Overview and Scrutiny Panel will review the proposals in January 2025. Final budget proposals will be considered by Cabinet on 26 February 2025, with recommendations to Full Council on 5 March 2025.



## 9. LEGAL IMPLICATIONS

9.1 None at this stage of the budget process.

## 10. RISK MANAGEMENT

10.1 There is a significant risk that the council will need to declare itself effectively bankrupt if Exceptional Financial Support is not granted. Even if support is granted there is a continuing risk of this in later years, unless the council can move itself into a more financially sustainable position.

## 11. POTENTIAL IMPACTS

11.1 Equalities. An Equality Impact Assessment is available as Appendix G.

11.2 Climate change/sustainability. Not applicable.

11.3 Data Protection/GDPR. Not applicable.

## 12. TIMETABLE FOR IMPLEMENTATION

12.1 Implementation date if not called in: Immediate

## 13. APPENDICES

13.1 This report is supported by the following appendices:

- Appendix A – Medium Term Financial Plan
- Appendix B – 2025/2 Revenue Budget
- Appendix C – Capital Programme
- Appendix D – Efficiencies
- Appendix E – Growth
- Appendix F – Fees & Charges
- Appendix G – Equality Impact Assessment

## 14. BACKGROUND DOCUMENTS

14.1 None.

## 15. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officer (sign off is mandatory)</i>			
Elaine Browne	Deputy Director of Law & Governance & Monitoring Officer	29/11/24	10/12/24

<b>Deputies:</b>	<i>(can sign off as Deputy for the above in their absence)</i>		
Julian McGowan	Assistant Director of Finance & Deputy S151 Officer	<b>Report Author</b>	<b>Report Author</b>
<b>Executive Directors</b>			
Stephen Evans	Chief Executive	<b>29/11/24</b>	<b>10/12/24</b>
Andrew Durrant	Executive Director of Place Services	<b>29/11/24</b>	<b>09/12/24</b>
Kevin McDaniel	Executive Director of Adult Social Care, Health & Communities	<b>29/11/24</b>	<b>09/12/24</b>
Lin Ferguson	Executive Director of Children's Services & Education	<b>29/11/24</b>	<b>09/12/24</b>

Confirmation relevant Cabinet Member(s) consulted	Cllr Lynne Jones Cabinet Member for Finance	Yes
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## REPORT HISTORY

<b>Decision type:</b>	<b>Urgency item?</b>	<b>To follow item?</b>
Key decision	No	No

Report Author: Julian McGowan, Assistant Director Finance
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