

Part A

Report to: Finance Scrutiny Committee

Date of meeting: Tuesday, 12 September 2023

Report author: Head of Finance

Title: Budget Planning Framework 2024/25

1.0 Summary

1.1 This report sets out the Budget Planning Framework that will enable to Council to set a balanced budget for 2024/25, and three year Medium Term Financial Strategy (MTFS) and Capital Investment Strategy to 2026/27.

1.2 The budget and MTFS will support the delivery of the Council's Council Plan 2022-26 and Delivery Plan 2022-24.

2.0 Risks

Nature of Risk	Consequence	Suggested Control Measures	Response <i>(tolerate, treat, terminate, transfer)</i>	Risk Rating <i>(combination of likelihood and impact)</i>
Failure to agree a budget and Medium Term Financial Strategy by the statutory deadline for setting a legal budget and Council Tax	The Council does not legally set a budget	Revert to previous budget and Council Tax Requirement	Treat	4

3.0 Recommendations

3.1 To consider and note the 2023/24 Budget Planning Framework, outline timetable at Appendix 1 and Budget Principles at Appendix 2.

Further information:

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Report approved by: Alison Scott – Director of Finance

4.0 Detailed proposal

4.1 Each year the Council is required to set a realistic, achievable in-year budget and indicative budgets for the following two years. Overall responsibility for the budget setting process is the responsibility of the Shared Director of Finance.

4.2 The budget reflects the alignment of resource to delivery of the commitments contained within the Council Plan, ensuring our limited resources are directed to areas most important to our residents, community, businesses and staff.

4.3 Council Plan

4.3.1 On 19 July 2022, Council adopted the Council Plan 2022-26 and Delivery Plan 2022-24.

4.3.2 The Council Plan, which covers the period 2022–2026, is designed to be strategic, high level and outward-facing, with an emphasis on outcome focused commitments. It describes to the workforce, our community and our partners how we see the council and the town progressing by resetting our strategic themes, commitments and areas of activity.

4.3.3 The four Council Plan themes are:

- A council working for our community and serving our residents
- A greener, brighter future. It was the greenest plan the council had ever produced.
- An inspiring, thriving and creative town
- A diverse, happy and healthy town

4.3.4 The Delivery Plan 2022-24 sets out how the council will focus our work to bring the Council Plan to life, making sure we deliver what we said we would over the next two years. Under each theme and commitment, we set out our key priority areas of actions, which we are committed to achieving by 2024. Every activity will be assigned to a lead officer and aligned to a Portfolio Holder to enable regular updates on progress.

4.3.5 The Delivery Plan will be monitored and a report on progress will be reported to Cabinet quarterly, and Overview and Scrutiny Committee quarterly and, annually, we will prepare a report for residents, businesses and partners.

4.3.6 The actions in the Delivery Plan will be cascaded through service plans, team business plans through to individual objectives.

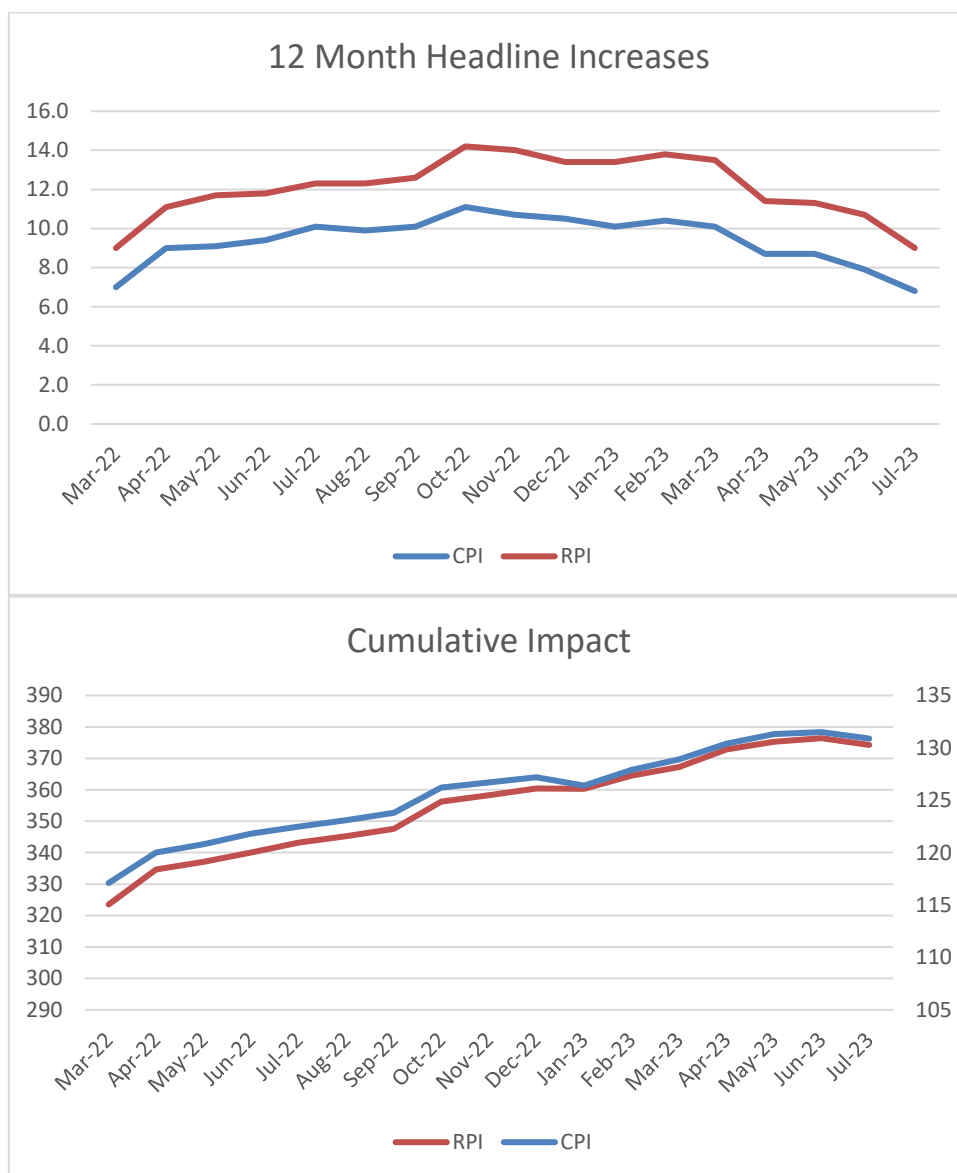
4.4 Financial Plan – Revenue

- 4.4.1 The Council prepares and monitors a rolling three-year Medium Term Financial Strategy (MTFS) consisting of a working budget for the current year and indicative budgets for the following years. This contains budget estimates calculated at a detailed level. The latest financial monitoring report (at end of June – Quarter 1) is elsewhere on this agenda.
- 4.4.2 Officers will convert the previous indicative budget for 2024/25 into a detailed plan. They will also add a ‘new’ third year indicative budget to complete the three-year plan for 2024/25 to 2026/27.
- 4.4.3 In creating the proposed indicative budget for 2024/25, Officers will look for opportunities to increase income and reduce costs through achievement of efficiency savings. The principles that will be adopted when making proposed changes to the budget are set out in Appendix 2 and will be formally approved by Cabinet.
- 4.4.4 The Council also undertakes a review of Fees and Charges on a regular basis, and at least annually. A review of Fees and Charges is included elsewhere on this agenda. Following receipt of comments by this Committee, the proposals will be considered by Cabinet and recommended by Cabinet to Council for approval in October.

4.5 Assumptions in the current MTFS

- 4.5.1 The existing MTFS for 2024/25 and 2025/26, agreed in January 2023, is based on the following assumptions:
- The Council Tax base increases by 3.2% in 2024/25 and 0.25% in 2025/26 each year
 - Council Tax is raised by 2.99% in 2024/25 and 1.99% in 2025/26
 - A Contingency budget is created to provide for a 2.0% annual pay award
 - A cash freeze for supplies and services budgets unless there is a contractual agreement or there are known increases or unavoidable demographic pressures.
 - Fees and charges increase in line with inflation
- 4.5.2 When the current MTFS was agreed in January 2023, the latest report from the Bank of England’s Monetary Policy Committee forecast inflation to fall sharply from the middle of 2023 to 5% by December 2023, 1.4% in December 2024 and 0.0% in December 2025. Although the Bank of England has raised interest rates from 3.0% in December to 5.0% to July 2023 (5.25% in August 2023), inflation has remained high to July 2023 with 12 month CPI at 6.8%.

4.5.3 The following graphs show the increase in CPI and RPI from March 2022/23 to July 2023/24.



4.5.4 High inflation and high interest rates impact the Council’s finances directly through higher pay awards and contract costs, but it also impacts on our residents which pushes up demand for services, decreases income from services such as planning and building control, and reduces Council Tax collection.

4.5.5 On 28 July, the Bank of England announced a review into the Bank’s ‘forecasting and related processes during times of significant uncertainty’ to be undertaken by an independent economist. It noted that ‘the UK economy has faced a series of unprecedented and unpredictable shocks’ and that there is a ‘need to adapt to a world in which we increasingly face significant uncertainty.’

4.5.6 The economic uncertainty makes it particularly challenging for the Council to plan for the impact of inflation on the budget in future years. This is further complicated

by a lack of certainty around the pay award for 2023/24 which is unlikely to be agreed until later in the financial year.

4.5.7 All assumptions within the MTFS will be reviewed and updated during the Autumn with any changes incorporated into the proposed budget and MTFS.

4.6 Capital Investment Programme

4.6.1 The Financial Monitoring Reports to Cabinet provide the current position on progress against the 2023/24 capital investment programme and the resources available for future investment.

4.6.2 An option appraisal and affordability assessment will be undertaken on future capital investment schemes. Those schemes that are deemed to be as 'invest to save' or fully funded by grant income are likely to be regarded more favourably than those requiring growth in revenue expenditure either through increased service delivery costs or borrowing costs.

4.6.3 Where capital schemes are financed through borrowing, the affordability assessment will consider both the cost of interest payments and the cost of repayment of borrowing (Minimum Revenue Provision). A revenue budget must be identified to meet these costs in order for the capital budget to be approved and for the scheme to proceed.

5.0 Implications

5.1 Financial

5.1.1 There are no changes to the budget already agreed by Members as a result of this report.

5.2 Legal Issues (Monitoring Officer)

5.2.1 The Council must set its budget before 11 March 2024 in accordance with Section 32 (10) of the Local Government Finance Act 1992.

5.2.2 The Council's Chief Financial Officer (Shared Director of Finance) has a statutory duty to report to the Council if it is likely to incur expenditure that is unlawful or likely to exceed its resources.

5.2.3 The Localism Act includes powers to allow local residents to veto through a referendum council tax rises that propose to exceed the limit imposed by Central Government.

5.3 Equalities, Human Rights and Data Protection

5.3.1 Under s149 (1) of the Equality Act the council must have due regard, in the exercise of its functions, to the need to –

- eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act
- advance equality of opportunity between persons who share relevant protected characteristics and persons who do not share them
- foster good relations between persons who share relevant protected

5.3.2 Having had regard to the council's obligations under s149, it is considered that there are no equalities or Human Rights implications.

5.3.3 Having had regard to the council's obligations under the General Data Protection Regulation (GDPR) 2018, it is considered that officers are not required to undertake a Data Processing Impact Assessment (DPIA) for this report.

5.4 Staffing

5.4.1 There are no staffing implications arising from this report.

5.5 Accommodation

5.5.1 There are no accommodation implications arising from this report.

5.6 Community Safety/Crime and Disorder

5.6.1 There are no community safety/crime and disorder implications arising from this report.

5.7 Sustainability

5.7.1 There are no sustainability implications arising from this report.

Appendices

- Appendix 1 – Outline Timetable
- Appendix 2 – Budget Principles

Background papers

- Council Plan 2022-26 and Delivery Plan 2022-24 to Council 17 July 2022