



Policy, Finance and Development Committee	Tuesday, 12 September 2023	Matter for Information and Decision
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Report Title: **Budget Setting Approach for 2024/25 and Medium-Term Financial Plan Update**

Report Author(s): **Bev Bull (Head of Finance / Acting Chief Finance Officer S151)**

Purpose of Report:	To consult Members on the approach for setting the 2024/25 budget and to update Members on the Medium-Term Financial Plan (MTFP) position and progress of the Sustainability Programme.
Report Summary:	This report seeks approval of the approach to set the annual budget for 2024/25 and provides an update on the MTFP budget gaps and progress on the Sustainability Programme.
Recommendation(s):	<p>That the Committee:</p> <p>A. Agrees and recommends to Council the Budget Approach for 2024/25; and</p> <p>B. Note the updated MTFP budget gaps and the progress on the Sustainability Programme.</p>
Senior Leadership, Head of Service, Manager, Officer and Other Contact(s):	<p>Sal Khan (Interim Strategic Director) (0116) 257 2635 Sal.khan@oadby-wigston.gov.uk</p> <p>Bev Bull (Head of Finance / Acting Chief Finance Officer / S151 Officer) (0116) 257 2649 bev.bull@oadby-wigston.gov.uk</p>
Strategic Objectives:	Our Council (SO1)
Vision and Values:	"Our Borough - The Place To Be" (Vision) Resourceful & Resilient (V4)
Report Implications: -	
Legal:	There are no implications arising from this report.
Financial:	The implications are as set out in this report.
Corporate Risk Management:	Decreasing Financial Resources / Increasing Financial Pressures (CR1) Political Dynamics (CR3) Reputation Damage (CR4) Regulatory Governance (CR6) Organisational / Transformational Change (CR8)
Equalities and Equalities Assessment (EA):	There are no implications arising from this report.

Human Rights:	There are no implications arising from this report.
Health and Safety:	There are no implications arising from this report.
Statutory Officers' Comments:-	
Head of Paid Service:	The report is satisfactory.
Chief Finance Officer:	As the author, the report is satisfactory.
Monitoring Officer:	The report is satisfactory.
Consultees:	<ul style="list-style-type: none"> • Senior Leadership Team.
Background Papers:	<ul style="list-style-type: none"> • Medium Term Financial Strategy (MTFS 2022 -2027) to Full Council 27 September 2022 • 2023/24 Revenues Budget, Medium Term Financial Plan and 2023/24 and 2027/28 Capital Programme to Full Council 23rd February 2023
Appendices:	None.

1. Background

- 1.1 The Council's Constitution includes the Budget and Policy Framework Rules. This requires that each year the Council will agree a process for the development of the annual budget and policy framework and that the programme will be widely published.
- 1.2 The Local Government Act 1992 requires the councils that are billing authorities complete and approve their budgets and set a council tax before 11 March immediately prior to the start of the financial year on 1 April. The budget timetable (see section 3 of this report) will ensure these statutory deadlines are achieved.
- 1.3 The Council approved a new Medium-Term Financial Strategy (MTFS) in September 2022, the Medium-Term Financial Strategy is a five-year assessment of the resources required to deliver the Council's services over that period. It sets out the projected budget gaps over the period and a Sustainability Plan for delivering savings to mitigate these gaps. The Medium-Term Financial Plan (MTFP) for 2023/24 to 2027/28 provided an updated gap position and was reported to Council in February 2023. The MTFP gave an indicative position for 2024/25, the annual budget approach for 2024/25 will update the indicative position with a detailed budget following the budget approach set out in section 2.
- 1.4 As was stated in the February 2023 budget report the Sustainability Programme savings included in the MTFP, did not meet the budget gap. The achievement of the Sustainability Programme savings included were still to be identified. Given the significant challenge in the financial position for 2024/25 and future years it is key that SLT and members continue to focus efforts on delivering savings and this has been taken into account in the budget approach outlined below.

2. Approach and Key Principles

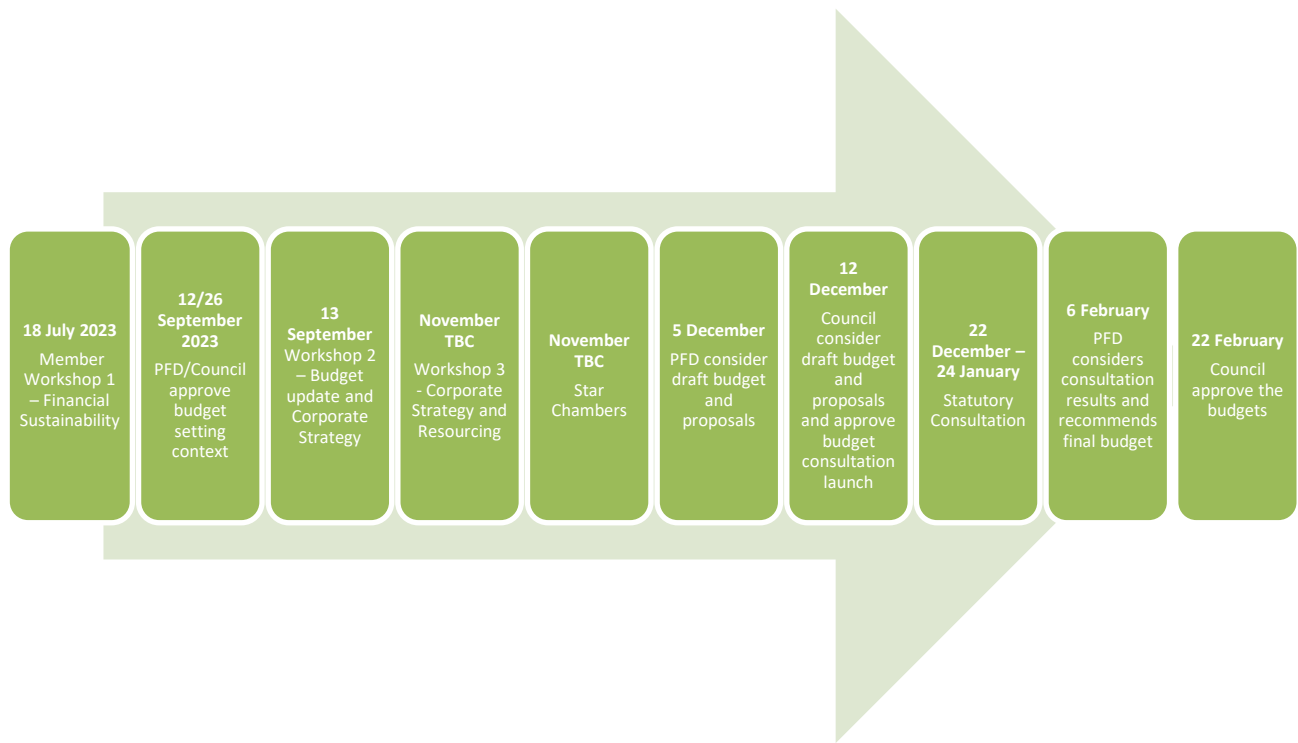
- 2.1 The 2023/24 revised budget will form the base budget for 2024/25.
- 2.2 Inflation assumptions will be made based on latest information, in respect of:

- Salaries
- Utilities
- Fuel
- Contracts (as per Contract terms)
- Interest rates (investment/borrowing)

- 2.3 **There will be no further revenue growth** – any pressures (cost inflation on supplies and services, in addition to those in 2.2), any growth (additional staff) or reduction in income due to reduced demand or fees should, insofar as is possible, be “self-funding”. This means services should try as far as is reasonably practical to off-set increases in financial resources by making savings in other areas.
- 2.4 **Review of budgets to identify savings** - historical budgets and actuals are to be reviewed to identify any consistent budget underspends with a view to removing these budgets to create savings. This will have to be considered in the context that the underspend may have been offsetting overspends, in which case budgets will be need to be realigned.
- 2.5 **Capital growth** - any additions to the capital programme must be funded by grant, OR have a revenue payback OR be essential for the maintenance of service delivery. Ideally, if we are creating or enhancing an asset, it should be because it will better the council’s financial position through reducing spend or generating income, or it must be because we need to do this to maintain services.
- 2.6 **Sustainability Programme** - the projects identified under the Sustainability Programme will continuing to progress to identify savings
- Financial Management
 - Service Review
 - Asset Management
 - Outcome Based Budgeting
 - Income Generation – including review of fees and charges in line with charging policy
 - Contracts
- 2.7 **Members workshops** - a series of members workshops will take place to keep members informed on the latest MTFP position including budget gaps and to identify options for reducing the budget gaps. The first of these was held on the 18th July, the next workshop is the 13th September and a further session will be held in November.
- 2.8 **Star Chamber** – During November Heads of Service will be required to attend a ‘Star Chambers’ to present the need for their service budgets. The Leader, Deputy Leader, Chair of PFD and Chair of Services, Chief Executive, Strategic Director, Head of Finance will provide challenge on the budgets proposed.

3. **Timetable**

- 3.1 The key dates for members in relation to the budget approach are outlined in the proposed timetable below:



4. Longer Term Outcome Based Budgeting Approach

4.1 Outcome based budgeting is a project identified as part of the sustainability project. Outcome based budgeting is a method of budgeting in which funds are allocated according to a set of predefined outcomes or priorities. It provides a budget for outcomes based on the Corporate Plan. It has a longer-term focus, aiming to reconfigure budgets to Corporate Plan over 3-4 years. The move to this approach has been started as detailed below.

4.2 Step One – Understand Starting Point (Discovery) – Member Session 18th July 2023

Review of O&W relative financial position and budget compared over time and with similar authorities.

RA/RO comparison of net budget – high level comparison of budget and service expenditure over time and with other districts.

4.3 Step Two – Developing Outcomes - Start of the process at Members Session 13th September

Work alongside corporate planning process to ensure the MTFs, revenue budget and capital programme support the corporate plan

4.4 Step Three – An OBB budget process

Longer term approach to budgets which looks to reconfigure budgets to the corporate plan over a 3/4-year horizon.

Will be supported by effective organisational strategy, asset plan, procurement strategy, fees and charges strategy and improvement plan.

5. MTFP Update

5.1 The MTFs set out the approach for reviewing the MTFP and the Sustainability Programme. This included that they will be reviewed before budget setting and as the budget is set.

5.2 Table 1 below shows the MTFP budget gaps approved in the February budget report, this was

the projected position after sustainability programme savings:

Table 1 – Budget Gap as of February 2023

Financial year	In-year gap	Cumulative gap
2023/24	£431,000	£431,000*
2024/25	£32,000	£463,000
2025/26	£573,000	£1,036,000
2026/27	£449,000	£1,485,000
2027/28	£457,000	£1,942,000

*The 2023/24 budget gap has been met by using £431k of general reserve to achieve a balanced budget.

- 5.3 Table 2 below shows the updated MTFP budget gaps revised for emerging pressures in 2023/24 as identified at the Q1 monitoring position, and the ongoing impact of these pressures in future years.

Table 2 – Budget Gap revised for emerging pressures identified in 2023/24 Q1 Monitoring (August 2023)

Financial year	In-year gap	Cumulative gap
2023/24	£747,000	£747,000*
2024/25	£305,233	£1,052,233
2025/26	£795,000	£1,847,233
2026/27	£847,000	£2,694,233
2027/28	£706,000	£3,400,233

*Includes the £431k use of general reserve at budget setting.

- 5.4 As detailed in the Budget Monitoring Report for Q1 the main emerging pressures relate to changes on the Leisure management contract fee, non-achievement of vacancy factor and a budgeting error. Within 2023/24 savings on capital charges and implementing the vacancy freeze have been identified to off-set some of the pressures but the savings are one offs in 2023/24 whilst the pressures are on-going.
- 5.5 The MTFP and budget gaps will continue to be reviewed and updated as the budget approach for 2024/25 progresses and assumptions in the MTFP are reviewed and updated. An updated MTFP will be reported to this Committee at the December meeting.

6. Sustainability Programme Update

6.1 The MTFS identified the saving targets from the sustainability programme as shown in Table 3. The targets for 2022/23 and 2023/24 have been achieved. The Financial Management target in 2022/23 related to repurposing earmarked reserves to the general reserve, this was completed and reported on in budget monitoring Q2 and Q3 2022/23. It resulted in over £600k being repurposed. This was not a saving but has bolstered the general fund reserve. The service review saving for 2023/24 as been achieved from a review in the Regeneration team and the income generation saving is forecast to be achieved through licensing income process improvements.

Table 3 – Sustainability Programme Savings

	2022/23	2023/24	2024/25	2025/26	2026/27
Financial Management	200,000				
Service Review		50,000	150,000	150,000	150,000
Outcome Based Budgeting			47,000	47,000	47,000
Asset Management			25,000	25,000	25,000
Income Generation		15,000	15,000	15,000	15,000
Contracts					
	200,000	65,000	237,000	237,000	237,000

6.2 For each of the projects there are project plans in place and progress against the project plans are monitored at SLT. A brief summary of each project and progress is given below:

Financial Management

- Review of earmarked reserves - complete
- Review insurance contracts – tender live, new contract to be in place 1 Jan 2024
- MRP policy being reviewed with advisors.
- Collection rate/R&B action plan progressing – Empty Homes Premiums update reported to PFD at this meeting.

Service Review

- Schedule completed January 2023 and runs for the next three years.
- Framework and approach presented and agreed with Members, Heads of Service and CMT Level Management.

- Options for change for service areas reviewed are reported to members.

Outcome Based Budgeting

- LG Improve have been engaged. See section 4 of this report.

Asset Review

- Innes England undertaking review of all sites, initial results from desk top review received.
- Potential sites for disposal being reviewed in more detail.
- First commercial booking received for the Civic Suite

Income Generation

- Corporate Management Team progressing new ideas for income generation
- Existing income streams to reviewed by service areas in view of the new fees and charging policy as part of the annual budget setting process for 2024/25

Contracts

Contract register has been reviewed and analysed to identify:

- Commissioned Discretionary services that are due for renewal – options to be considered by members.
- Discretionary contracts are being reviewed to ensure they are generating efficiencies/ adding value before renewing.