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| REPORT TO: | HOUSING AND COMMUNITY SERVICES COMMITTEE | AGENDA ITEM: 5 |
| DATE OF MEETING: | 28 SEPTEMBER 2023 | CATEGORY: DELEGATED |
| REPORT FROM: | STRATEGIC DIRECTOR (CORPORATE RESOURCES) | OPEN |
| MEMBERS' CONTACT POINT: | CHARLOTTE JACKSON Charlotte.jackson@southderbyshire.gov.uk | DOC: s/finance/committee/2023-24/September |
| SUBJECT: | BUDGET SETTING APPROACH 2024-25 | |
| WARD(S) AFFECTED: | ALL | TERMS OF REFERENCE: FM08 |

1.0 Recommendations

1.1 That the Committee notes the budget setting approach within the report and Members provide feedback accordingly to the Strategic Director (Corporate Resources).

2.0 Purpose of the Report

2.1 To consult Members on the approach for setting the 2024/25 budget.

3.0 Detail

INTRODUCTION

3.1 This report seeks feedback from Members on the proposed approach for setting the Council's budget for 2024/25, including any budget proposals Members wish to instruct officers to consider and develop.

BACKGROUND

3.2 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.

3.3 Officers have now started to review the detailed income and expenditure budgets by service for the forthcoming 2024/25 financial year across all its operations – the General Fund and Housing Revenue Account (HRA) revenue accounts and the General Fund and HRA Capital Programmes.

- 3.4 The Strategic Director (Corporate Resources) has set out some early budget setting principles for services to work with (see below).
- 3.5 The purpose of this report is to consult Members on any further features or principles they would like to set as part of determining next year's budget, to ensure that proposals are considered in the context of the overall budget position and affordability. The early discussion also provides an opportunity for Members to instruct officers to consider and develop budget proposals.

KEY PRINCIPLES TO DEVELOPING BUDGET PROPOSALS

- 3.6 The three key principles set out to Managers in preparing their budgets for next year are:

3.6.1 Budgets should support Service Plan and the Council Plan - Overall, services should align with Service Plans and the Council Plan. This is a fundamental principle to ensure that appropriate funding is in place. It will also reduce and remove the need for further reports to committee for additional funding requests, unless there are specific requests from members on this or there are other requirements around procurement or other approval considerations.

3.6.2 Revenue investment should be based on demonstratable need or be self-funding - This means that any cost-pressures (such as inflation pressures on supplies, services, and contracts), additional staff or reductions in income due to lower demand or reduced 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 or alternatively, additional revenue investments should be fully demonstrated.

Overall, proposals will need to demonstrate an evidence-based business case which sets out the service need and how additional revenue funding will seek to meet that need, and where possible, reduce ongoing expenditure or increase income in other areas.

3.6.3 Capital growth will be considered based on need and innovation meaning it is essential for the maintenance of service delivery or will improve service delivery by way of revenue improvement - Ideally, if we are creating or enhancing an asset, it should be because it will improve the council's financial position through reducing spend or generating income, or it must be because we need to do this to maintain services.

Again, this requires services to document and demonstrate a sound business case and evidence service investment need.

THE BUDGET SETTING APPROACH

- 3.7 There are several other features of the budget process that are different this year or that are important for members to have an understanding of and these are set out below.
- 3.8 The first key feature is that the budget will be set using an “incremental budgeting” approach. This is where the current year’s budget is taken forward into the new year, adjusted for changes presented to members and subsequently approved.
- 3.9 As such, all budgetary changes, will be set out in reports. This will be the case for individual changes above a de-minimis level of £5k, but for amounts lower than £5k, all service area changes will be consolidated and reported as “de-minimis changes”, by directorate.
- 3.10 Proposals around additional staffing resource will be set out clearly so that proposed increases to the establishment are well understood.
- 3.11 Similarly, proposals around variations to fees and charges will set out the basis of any changes and the resultant impact to income.
- 3.12 It is envisaged that, since proposals are to be presented in a way that identifies a clear business need, there will be a forthcoming reduction in any need for further reports to committee for additional funding requests. However, it is recognised that there may be specific requests from committees to sign off at future proposal milestones, receive updates on the progress of new initiatives, or other requirements, such as procurement award sign off.
- 3.13 To ensure effective financial scrutiny, early member engagement on the budget is being undertaken, starting with this context setting report. Engagement with each of the committees is proposed to be held with Environmental and Development Services Committee (ED&S) on 21 September 2023, Housing and Community Services Committee (H&CS) on 28 September 2023, Finance and Management Committee (F&MC) on 5 October 2023 and Overview and Scrutiny (O&SC) on 11 October 2023.
- 3.14 A draft budget position will then be prepared and presented to F&MC at its 23 November meeting. The Committee will agree the draft budget for approval to commence the public and statutory consultation.
- 3.15 During January, the draft budget will be presented to policy committees and O&SC. The reports will present the consolidated draft budget and individual proposals to give each policy committee the holistic view of the Council’s finances and affordability considerations, as well as the committee specific detail.
- 3.16 In the past, public consultation has been achieved through Area forums. This year, the process will be expanded to include online consultation, to run for 6 weeks. Feedback from the consultations will be reported to F&MC at its meeting on 15 February, alongside feedback and changes made as a result of policy

committee review. F&MC will review the final proposed budget considering consultation feedback and make its recommendations to Council for final approval.

MEDIUM TERM FINANCIAL PLANNING

- 3.17 The Council's current Medium Term Financial Plan (MTFP) includes provision for growth and inflationary demands. The assumptions and associated financial risks are considered as a worst-case scenario and there are recurring budget gaps being met by reserves over the life of the plan.
- 3.18 As the budget is developed, the plan will be reviewed and renewed to align with the new proposed budget from 2024. The review will include the assessment of all assumptions that drive the future financial forecasts in the plan as well as the creation of the worst- and best-case scenarios against a "base case" to set out the most likely outcome.
- 3.19 A new Medium Term Financial Strategy will also be developed later into the budget setting timetable and presented alongside the budget for approval in February. This overarching strategy will consider the future funding expectations and opportunities for increasing the Council's self-sufficiency in the light of diminishing central government grants and an uncertain future funding outlook and a cycle of recurrent 1-year local government funding settlements, whilst ensuring the Council can continue to fund and deliver excellent services.

TIMETABLE

3.20 The proposed timetable is as follows:

| Date & Committee | Milestone |
|---|---|
| 21 September – E&DS 28 September – H&CS 5 October – F&MC 11 October – O&SC | Consultation on budget setting principles/values and budget changes/proposals for development |
| <i>September – November</i> | <i>Budgets scoped and reviewed by officers and Leadership Team</i> |
| 23 November – F&MC | Consideration of consolidated budget and individual proposals Approval to consult |
| 4 January – E&DS 8 January – H&CS 11 January – F&MC 17 January – O&SC | Committee review of consolidated budgets and individual proposals relevant to Committee service budget Draft MTFs presented to O&SC |
| 24 November – end January | Statutory and public consultation with ratepayers (businesses) and residents |

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|-----------------------|---|
| 15 February – F&MC | Review of final consolidated budget, review of consultation responses Draft MTFS |
| 28 February – Council | Final approval of Budget and Council Plan Final MTFS |

SUMMARY

3.21 Feedback is sought on the overall approach and main features of the budget setting timetable, the key principles, the proposed public consultation and any other areas of the budget Member wish to see developed.

4.0 Financial Implications

4.1 None currently.

5.0 Corporate Implications

Employment Implications

5.1 None.

Legal Implications

5.2 None.

Corporate Plan Implications

5.3 None

Risk Impact

5.4 None

6.0 Community Impact

6.1 None currently.

Equality and Diversity Impact

6.2 None.

Social Value Impact

6.3 None.

Environmental Sustainability

6.4 None.

7.0 **Background Papers**

7.1 None