

## Budget Scrutiny Panel: 24<sup>th</sup> October 2023

### Agenda Item 7: Approach to 2024/25 Budget Setting

Report from Lead Member for Finance, Customer & Support Services, Revenues and Benefits

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#### **Background**

##### **Medium Term Financial Strategy (MTFS) 2023-26**

This document, the most recent MTFS, considers the financial outlook for Charnwood Borough Council (CBC) for the three financial years 2023/24, 2024/25, 2025/26. The document focusses on the General Fund. The outlook for the Housing Revenue Account (HRA) is the subject of a separate 30 year HRA business plan.

The table below is a summary of forecast expenditure and income for the General Fund from this document (noting that there is considerable uncertainty in some of the figures).

	2023-24 £000	2024-25 £000	2025-26 £000
Total Expenditure	20540	21321	22699
Total Funding	19245	19709	20205
Projected use of working balance	1295	1612	2494
General Fund working balance at year end	4416	2804	(310)

Of significance, the forecasts indicate a diminishing reserve (working balance), indicating a structural deficit rising to £2.5m. The minimum working balance recommended by the Section 151 Officer is £2.5m. Hence, the above forecast indicates the council becoming insolvent in 2025-26 if no action is taken to address the structural deficit in the Council's General Account.

##### **Outturn reports 2022-23**

The General fund and HRA revenue outturn report (2022/23) were presented at cabinet on 13<sup>th</sup> July.

- The outturn position for the General Fund was a £199k surplus against an original budget figure of £189k deficit. Both expenditure and income higher than budget with adverse and favourable variances. A significant favourable variance was £1,076k interest received on balances, which is higher than budget by £776k
- Closing balance of £6766k against budget of £6,378k
- HRA outturn shows a surplus of £2,214k against a budgeted break-even position.

Whilst the financial position for the General Fund at the end of 2022-23 was better than forecast in the MTFS, a predicted structural deficit remains.

##### **Overall Strategy for Budget Setting**

Clearly, the structural deficit in the General Account needs to be taken into account in both short- and medium-term financial planning. This necessarily entails the forecast and planning of both

expenditure and income to the account whilst considering impact on council services (both statutory and non-statutory).

The overall strategy is not to attempt to return to a balanced budget in a single financial year as this would entail unnecessary irreversible decisions, significantly impacting current services whilst also compromising future options for income generation.

The approach then is to slow the use of reserves to enable a balanced budget to be achieved over the term of the council across a number of financial cycles, whilst protecting services and enabling investment in projects with significant future cost saving, income raising or service enhancement potential. At the same time, the projected end of year working balance will be closely monitored throughout the year in relation to the minimum level of £2.5m. Risks to the budget, such as the statutory service requirement to provide supported living housing benefit, and potential corrective measures will be determined to enable threats to the working balance falling below the minimum level to be addressed.

An additional consideration will be the pressures on budget and need for medium to longer term planning to deliver the Council's climate change strategy.

### **Approach to 2024-25 Budget Setting**

The overall timetable for setting the budget is as follows:

Current: Options for change (O4C) formulated by Council Senior Leader Team discussed with Cabinet Leader and Finance Lead.

#### **24 October: Budget Scrutiny Panel meeting - planning**

26 October: Cabinet member briefing and discussion on O4C

November: Consultation with Green Party

24 November: Final cabinet member discussion on O4C for draft budget

#### **12 December Budget Scrutiny Panel – draft budgets**

14 December: Draft budget proposed to Cabinet

#### **3 January: Budget Scrutiny Panel - report**

18 January: Cabinet member discussion MTFS 2024-27

8 February: Final budget recommended to Cabinet. Proposed MTFS 2024-27 recommended to cabinet.

26 February: Final budget for approval at Council. MTFS 2024-27 for approval at Council.

As can be seen from the timetable above, the current position is one of considering options for change to the budget. These are primarily aimed at reducing costs or increasing revenue to move the General Account towards a balanced budget whilst also taking account of the timetable for implementation and savings, impact on service and any investment required to implement the

change. Pressures on the budget from potential increase in expenditure in 24-25 are also being considered.

**Future Financial Planning.**

It is important that in addition to investigating short term cost savings and revenue increases that we also look at the medium to longer. This may mean some investment in the short term to reap longer-term benefits.

An example of this is the investment of significant officer time in considering option for the Council's future Revenues and Benefits Service. This has resulted in the decision to take the service in house which it is projected will have benefits in both service delivery and medium term cost savings.

To this end, we are also currently considering investment, mainly in terms of officer time, in projects with the potential for medium to long term ongoing financial or service benefits. As part of the financial planning for 24-25, decisions will be made as to which of these projects to carry forward next financial year.

Ian Ashcroft

19/10/23