

Report title	Draft Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Obaida Ahmed Resources and Digital City	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable Director	Tim Johnson, Chief Executive	
Originating service	Strategic Finance	
Accountable employee	Claire Nye Tel Email	Director of Finance 01902 550478 Claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	Strategic Executive Board	30 August 2022

Recommendations for decision:

The Cabinet is recommended to approve:

1. The draft budget strategy and medium term financial strategy which underpin Our City, Our Plan, including changes to corporate resource assumptions, growth and inflation and budget reduction and income generation proposals.
2. That authority be delegated to the Cabinet Member for Resources and Digital City, and the Cabinet Member for Education and Skills, in consultation with the Director of Finance and the Executive Director of Families, to approve changes to the local funding formula for Schools including method, principles and rules adopted.

Recommendations for noting:

The Cabinet is asked to note:

1. That a number of assumptions have been made with regards to the level of resources that will be available to the Council. It is important to note there continues to be a considerable amount of uncertainty with regards to future income streams for local

authorities. Any reduction in Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit over the medium term.

2. That, due to external factors, budget assumptions remain subject to significant change, which could, therefore, result in alterations to the financial position facing the Council.
3. That it is forecast that the budget deficit is £7.1 million for 2023-2024, rising to £31.6 million by 2025-2026 and that work will continue to be undertaken to bring forward proposals to set a balanced budget for 2023-2024 and deliver a sustainable medium term financial strategy.
4. That the overall level of risk associated with the Draft Budget and Medium Term Financial Strategy 2023-2024 to 2025-2026 is assessed as Red.

1.0 Purpose

- 1.1 The purpose of this report is to provide Councillors with an update on the Draft Budget and Medium Term Financial Strategy (MTFS) 2023-2024 to 2025-2026, and agree the next steps that will be taken in order to address the financial pressures faced by the Council over the medium term.
- 1.2 This is the second report of the financial year on the Draft Budget and Medium Term Financial Strategy for the period of 2023-2024 to 2025-2026.

2.0 Background

- 2.1 The City of Wolverhampton Council has built up a strong track record over many years of managing its finances well and despite austerity, consistently setting a balanced budget. Our approach to strategic financial management, aligning budgets to service priorities and improving services, and investing in transformation priorities, continues to put us in a strong financial position.
- 2.2 The Budget and MTFS 2022-2023 to 2025-2026 was presented to Full Council for approval on 2 March 2022. Despite the continuing impact of the Covid-19 pandemic, the Council was able to set a balanced budget for 2022-2023 without the need to use general reserves. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £12.6 million in 2023-2024, rising to £25.8 million over the medium term to 2025-2026 in order to address the budget deficit.
- 2.3 Reserves play a vital role in the financial sustainability of the Council. The Council's General Fund Balance stands at £13.7 million. This level of reserve is approximately 5% of the 2022-2023 net budget which is in line with recommended best practice. In addition, the Council holds earmarked reserves which are set aside to fund future planned expenditure or manage specific risks. It is vital the Council continues to hold these reserves to mitigate the risk of uncertainty of any potential future expenditure and to support the delivery of council priorities.
- 2.4 On 27 July 2022, Cabinet approved the draft budget strategy and medium term financial strategy 2023-2024 to 2025-2026. It was noted that due to external factors, the budget assumptions were likely to change. There continues to be a high level of uncertainty and change due to external factors, in particular surrounding the uncertainty of government funding, ongoing impact of Covid, increasing inflation and interest rates. This report provides an update on the progress towards the budget strategy for 2023-2024 and future years, taking into account the latest information available on the external factors identified and other emerging pressures that are faced by the Council.

3.0 Our City, Our Plan

- 3.1 The Council's strategic approach to address the budget deficit is to align resources to Our City, Our Plan which was approved by Full Council on 2 March 2022.

- 3.2 The plan continues to identify an overarching ambition that ‘Wulfrunians will live longer healthier lives’ delivered through six overarching priorities:
- Strong families where children grow up well and achieve their full potential
 - Fulfilled lives for all with quality care for those that need it
 - Healthy, inclusive communities
 - Good homes in well-connected neighbourhoods
 - More local people into good jobs and training
 - Thriving economy in all parts of the city
- 3.3 These priorities together with the associated key outcomes, objectives and activity form a framework to improve outcomes for local people and deliver our levelling up ambitions.
- 3.4 Supporting the six overarching priorities are three cross cutting principles
- Climate Conscious
 - Driven by Digital
 - Fair and Equal
- 4.0 Draft Budget and Medium-Term Financial Strategy 2023-2024 to 2025-2026**
- 4.1 On 27 July 2022, Cabinet approved the draft budget strategy and medium-term financial strategy. At this point in time, it was reported that significant progress has been made towards setting a balanced budget for 2023-2024 and the projected deficit was reported to be just under £1.0 million in 2023-2024, rising to £25.7 million by 2025-2026. However, it was also reported that there remains a high level of risk and uncertainty, and that due to external factors, budget assumptions remained subject to significant change, which could, therefore, result in alterations to the financial position facing the Council.
- 4.2 The assumptions used in the preparation of the Budget and MTFS remain under constant review and update. We continue to operate within an uncertain environment, with inflation at the highest it has been for decades, financial pressures surrounding the increasing cost of living, the proposed pay award and continuing uncertainties around future funding streams.
- 4.3 Work has been ongoing to estimate the impact of these uncertainties on the 2023-2024 budget and MTFS. This report details the changes to corporate resource assumptions, growth and inflation, budget reduction targets and one- off opportunities and outlines the steps that will be taken to address the current forecast deficit.
- 4.4 Along with due diligence on the assumptions outlined in this report, work will also continue to identify measures which will provide a suitable budget strategy and set a balanced budget for 2023-2024 and future years, with proposals being brought back to Cabinet as soon as possible.

Corporate Resources

- 4.5 It was reported to Cabinet in July that the Collection Fund out-turn for 2021-2022 was more favourable than anticipated, reducing the deficit carried forward into future years, and had resulted in a one-off benefit of £4.0 million in 2023-2024. The Collection Fund assumptions for 2023-2024 have been kept under review, taking into account the improved position from last year but also the impact of the cost of living on our residents and businesses. Current modelling has resulted in a working assumption that the position will be improved by £2.0 million in 2023-2024, however these assumptions will continue to be tested and updates provided in future reports
- 4.6 It was also reported to Cabinet in July that a number of assumptions had been made with regards to the level of government grant that will be available to the Council. It was noted that a number of scenarios had been modelled reflecting different assumptions about inflationary uplifts on our top up grant, and the continuation of one-off grants such as New Homes Bonus, Lower Tier Fund and the Services Grant. The draft budget strategy currently assumes the mid case scenario which is considered to be prudent due to the increasing uncertainty surrounding funding streams for local authorities.
- 4.7 The Minister for the Department for Levelling Up, Housing and Communities (DLUHC) announced at the Conservative Party Conference in October that there will be no fair funding review this spending review period. However, he also announced that he still intends to honour Michael Gove's pledge of a multi-year settlement but was open to alternative suggestions. Local authorities normally receive their provision financial settlement in late December, with the expected final settlement in the January.
- 4.8 On an annual basis Government calculate the core spending power for local authorities. The core spending power is a measure of the resources available to local authorities to fund service delivery, including council tax and locally retained business rates. Included in this calculation are the assumptions on the Business Rates Multiplier which normally changes each year in line with inflation. The measure for inflation is consumer price index (CPI) as at September each year, however legislation still states that local authorities are compensated using the retail price index (RPI) data. If Government make the decision to freeze the business rates multiplier as they did for 2022-2023 in order to support businesses, then local authorities are compensated via section 31 grant. Therefore, if our section 31 grants increases by inflation, this would result in potential additional funding being made available to the Council. However, it is recognised that any increase in this funding could be offset by a reduction in other grants and therefore, it is not proposed to change the assumptions at this point in time. The position will be kept under review and at the point that more information becomes available then updates will be provided to Cabinet.

One-off Opportunities

- 4.9 Work has continued to identify one-off funding opportunities to support the budget strategy 2023-2024 and future years. As part of this review a further £2.0 million for both

2023-2024 and 2024-2025 has been identified from grants and reserves that can be released to support the budget strategy. It is proposed that £2 million is drawn from Public Health Reserves and £2 million from Supporting Families Grant.

Pay Related Costs

- 4.10 It was reported to Cabinet in July that national negotiations in respect of a 2022-2023 pay award were ongoing. In addition, it was reported that the National Living Wage (NLW) was projected to increase over the medium term from £9.50 in 2022-2023 to £11.00 by 2024-2025. Therefore, in July, forecast additional growth of £9.0 million was built into the budget over the medium term. However, it was also reported that this growth may still not be sufficient and was dependent on the pay award being agreed for 2022-2023 and future years.
- 4.11 On 25 July 2022, the National Employers made a one-year 2022-2023 pay award offer to the unions representing the main local government NJC workforce. At the time of writing this report, negotiations are still ongoing in respect of the 2022-2023 pay award. Trade union consultation with their members is due to end on the 21 October, so it is anticipated that we will receive formal notification towards the end of October / early November. The Performance and Budget Monitoring Report 2022-2023 presented to Cabinet on 7 September, reported that the current proposal, if accepted, is forecast to cost in the region of £9.0 million in 2022-2023. The approved budget for 2022-2023 includes a provision of 2% amounting to £2.8 million, we therefore have an in year and recurrent forecast pressure of £6.2 million.
- 4.12 In order to manage our costs within the approved budget the Council will continue to work to identify in-year and recurrent efficiencies in order to mitigate the pay award costs. The updated forecast position currently assumes that these cost pressures continue into 2023-2024 and over the medium term. Detailed work is ongoing to calculate the forecast impact on 2023-2024 and future years, updates will be provided in future reports.
- 4.13 In light of this proposed 2022-2023 pay award, the assumptions on future pay awards have also been considered and the draft budget strategy has been updated to reflect a forecast pay award of 4% in 2023-2024, and 2% for future years. These assumptions will be kept under review and updates provided in future reports.
- 4.14 On the 23 September 2022, the Chancellor announced that the 1.25% increase on both employers and employees national insurance would be cut, taking effect from November 2022. In line with Governments original announcement in 2021, when the increase was announced, the 2023-2024 budget and MTFs assume that we will be compensated for this increase in costs through a grant. Therefore, the cut to national insurance is forecast to have a net nil impact on the Council in 2023-2024 and future years. The in-year benefit will be reflected in the Performance and Budget Monitoring reports to Cabinet and any reduction in costs will help support the cost pressures of the proposed pay award.

- 4.15 The Council in the context of its role in as a participating employer within the West Midlands Pension Fund (the Fund), will be subject to a triennial actuarial review which sets the employer pension contribution requirements over the period of 2023-2024 to 2025-2026. Discussion are currently being held with the Fund to determine the employer contribution that will be required over the medium term. At this stage, the MTFs reflects the forecasts based on the previous valuation in 2019. Updates will be provided to Cabinet in future reports.
- 4.16 **Changes to Growth for inflation**
- 4.17 Inflation in the UK is at the highest it has been for four decades, which means the country is facing an increase in the cost of living, with food, petrol and energy bills all increasing. We continue to track the forecast impact of inflation carefully, gathering information from a number of sources to build up an accurate picture. Current projections forecast costs pressures of around £2.0 million in 2023-2024 and future years. This will be kept under review and updates provided in future reports.
- 4.18 Other emerging pressures have been identified within the Organisation Theme to support transformation work which will help drive out efficiencies across the council. Current projections indicate that this transformation work could require an up-front costs in the region of £2.3 million, however, it is anticipated that this work, in part will be funded from efficiencies from across services who will benefit from this transformation. Work is going to identify the level of financial efficiencies this work will generate from across the council. The current assumptions therefore assume that the total growth is required; however, this is expected to reduce once the funding strategy is finalised. Updates will be provided in future reports.

5.0 Five Year Financial Strategy

- 5.1 The Financial Strategy, approved by Council in March 2019, consists of five core principles:
- **Focusing on Core Business.** Focus will be given to those activities that deliver the outcomes local people need and which align to our Council Plan and Financial Strategy.
 - **Promoting Independence and Wellbeing.** We will enable local people to live independently by unlocking capacity within communities to provide an effective and supportive environment.
 - **Delivering Inclusive Economic Growth.** We will continue to drive investment in the City to create future economic and employment opportunities.
 - **Balancing Risk.** We will ensure we base decisions on evidence, data and customer insight.
 - **Commercialising our Approach.** We will boost social value in our City by maximising local procurement spend with people and businesses.

5.2 With these core principles in mind, the Council's Leadership Team has been carrying out extensive work in order to identify proposals to support the medium-term financial strategy. Work is ongoing across the following themes:

- Our assets
- Procurement and contracts – particularly focused on embedding the Wolverhampton Pound approach
- Income collection, debt management and recovery
- Business processes
- Digital and data
- Delivery models
- Income generation including fees and charges
- Human resources and occupational development

5.3 It was reported in July that high level projections indicate that this work could lead to budget reduction and income generation proposals totalling £5.2 million. Further work has been undertaken and this target has been re-profiled and increased to £6.4 million over the medium term. Work will continue over the coming months to develop these proposals further, with further detail provided in future reports.

5.4 Over a number of years, in-year efficiencies have been delivered across a number of services, without impacting on the delivery of Council priorities. The Budget report approved by Council in March 2022, approved the inclusion of a £4.5 million efficiency target over the medium term to 2025-2026, of which £2.5 million is in 2023-2024. The July budget report increased this target by a further £3.0 million in 2023-2024.

Revisions to Budget Reduction Targets

5.5 The budget and MTFs as reported to Cabinet in July, incorporates the achievement of recurrent budget reduction and income generation proposals totalling £15.7 million over the period of 2023-2024 to 2025-2026. An in-depth review has been undertaken on existing budget reduction and income generation targets to ensure that the targets included in the MTFs remain deliverable over the medium term. It has been determined that £3.1 million of savings will not be delivered over the medium term as originally planned. It is therefore proposed that these are deleted from the MTFs.

5.6 Of this £3.1 million, £2.0 million relates to Transforming Adult Social Care. Work is underway to redesign Adult Services, creating a fit for purpose structure that will better meet resident needs and ensure we have the right staffing structure in place. Following the implementation of the 3 conversations social work practice in 2018 which focuses on people and their strengths (including what people can access in their communities), it is recognised that there is a need to improve what is available in the community to support people. The redesign will have a specific focus on early intervention and prevention through community investment. The redesign was due to start in 2019 but due to the pandemic it didn't get back on track until early 2022. The structure and redesign will

reflect the rising demand in adult social care alongside the increase in complexity that we are currently experiencing and expect to continue as the 'norm' for us in social care in future. On conclusion of this work, it will inform the budget requirements to support the new service model. Due to this work and the considerable uncertainty around the cost of adult social care over the medium term due to the increase in demand for services, it is proposed to delete this budget reduction target from the MTFs. The draft budget 2023-2024 report to Cabinet in July included the transfer of £1.0 million into the reserve for Adult Social Care, taking this reserve to £2.0 million. It is therefore proposed that this reserve is released in 2023-2024 to offset the deletion of this savings target in 2023-2024.

5.7 The revisions to budget reduction and income generation targets are summarised in the table below:

	2023-2024 £000	2024-2025 £000	2025-2026 £000
Regeneration Service review – efficiencies	600	-	-
Efficiencies from depot review	-	500	-
Transforming Adult Services	2,000	-	-
Total	2,600	500	-

5.8 Budget reduction and income generation targets will continue to be reviewed with updates provided to Councillors in future reports.

6.0 Updated forecast position – Draft Budget Strategy 2023-2024 and MTFs

6.1 The overall impact of the revisions to the 2023-2024 draft budget and MTFs, arising from the items detailed in the paragraphs above have been reflected in the table below. As can be seen in the table below, the projected budget deficit for 2023-2024 is currently forecast to be in the region of £7.1 million rising to £31.6 million by 2025-2026. The increase in the forecast budget deficit has mainly arisen as a result of the forecast impact of rising inflation and the proposed pay award. This will be closely monitored, with updates provided in future reports.

	2023-2024 £000	2024-2025 £000	2025-2026 £000
Projected Budget Challenge as at July 2022	866	17,544	25,666
Changes to Corporate Resources – Collection Fund	(2,000)	-	-
One off use of grants / use of reserves	(2,000)	-	2,000
Changes to growth for pay related costs	5,356	(2,260)	(600)
Changes to growth and inflation	4,320	(750)	-

	2023-2024	2024-2025	2025-2026
	£000	£000	£000
Revisions to existing budget reduction and income generation targets	2,600	500	-
Use of reserves	(2,000)	2,000	-
Changes to efficiencies from Matrix Work	-	500	(1,750)
Annual impact of proposals	6,276	(10)	(350)
Cumulative impact of proposals	6,276	6,266	5,916
Forecast deficit after cumulative impact of proposals	7,142	23,810	31,582

6.2 The assumptions used in the preparation of the budget and MTFS remain under constant review and update. Work will continue over the coming months to review all assumptions in the MTFS and a further update will be presented to Councillors.

6.3 Significant work is required to ensure that the budget can be balanced. Every effort will be made to ensure that there is no impact on service delivery. The following outlines the main workstreams that are being undertaken:

- Continuing to model assumptions around the areas of uncertainty, including inflation, pay award and government funding
- Reviewing Council Tax and Business Rates assumptions
- Review of reserves including the work of the Scrutiny Reserves Working Group
- Review of budgets held corporately
- Continuing the work with Matrix Groups and modelling of assumptions against targets
- Review of the Capital Programme requirements and the Treasury Management budget
- Review of historic trends in underspends across services
- Consideration of savings targets across the council as a last resort

7.0 Funding Formula for Schools

7.1 In April 2018, a new national schools funding formula was implemented, and 2018-2019 was the first year of a transitional period moving towards the implementation of a National Funding Formula (NFF) for schools.

7.2 2023-2024 will be a continuation of this implementation period and local authorities are still required to set a local funding formula. The Schools Block Dedicated Schools Grant (DSG) allocation for 2023-2024 will be announced in December 2022.

- 7.3 The agreed local funding formula for 2022-2023 fully adopted the same factors as the National Funding Formula. The local funding formula for 2023-2024 will be agreed with School Forum at their meeting during the period of December 2022 to February 2023.
- 7.4 In line with the Schools Revenue Funding 2023-2024 Operational Guidance, this report seeks approval to delegate authority to the Cabinet Member for Resources and Digital City and Cabinet Member for Education, Skills and Work, in consultation with the Director of Finance and Executive Director of Families to approve proposed changes to local funding formula including method, principles and rules adopted.

8.0 Risks and Uncertainties

- 8.1 As detailed in section 4 of this report, there continues to be significant uncertainty around the affordability of a pay award for 2022-2023 and future years. Additional growth has been built into the budget and MTFs, however this will be kept under review and updates will be provided to Councillors as and when more information becomes available.
- 8.2 Inflation in the UK is at the highest it has been for four decades, which means the country is facing an increase in the cost of living, with food, petrol and energy bills all increasing. It is not yet known what the full extent this will have on both the direct energy and fuel costs incurred by the Council and the impact this will have on our contracts, as well as our residents and businesses. The Council will continue to monitor the potential financial implications over the coming months, with updates provided to Cabinet.
- 8.3 As mentioned above, the cost of living is impacting on our residents across the city. In March 2022, the Cabinet approved the Financial Wellbeing Strategy: Tackling the Cost of Living Crisis. Since this strategy was approved, inflation has continued to significantly rise. The Council has been awarded two one-off grant allocations in 2022-2023 from the Household Support Grant totalling £5.3 million to help support our most vulnerable residents. However, this funding has been one-off and announced at short notice. There is no indication that this funding will continue into 2023-2024. There is therefore a risk, that without the additional funding, we will not be able to continue to support our most vulnerable residents going forward to the extent needed.
- 8.4 UK interest rates have also risen over recent months. Changes to interest rates impact on the Council's treasury management activities, on both interest paid on future borrowing and interest received from investing surplus cash balances. The Treasury Management – Annual Report 2021-2022 and Activity Monitoring Quarter One 2022-2023 report to Cabinet on 6 July 2022 reported that due to the economic climate and the increase in interest rates the forecast outturn position for the treasury management activities was difficult to project at this early stage. We are currently not forecasting a change to current assumptions, however, this position will be monitored closely and updates provided in future reports.
- 8.5 At the time of writing this report, there continues to be considerable uncertainty with regards to future funding streams for local authorities. In July 2022, it was reported to

Cabinet that it had been announced that the Government planned to undertake a fair funding exercise with local authorities receiving a two-year settlement. At the Conservative conference in October 2022, the Minister for DLUHC announced that he intended to honour the pledge of a two-year settlement, however he was open to alternative suggestions. However, he also announced that there will be no fair funding review during this spending review period. The figures currently used to allocate local government funding are based on spending needs from 2013-2014. The Local Government Chronicle have reported that there are risks that significant savings are likely to mean cuts to local government finance grants and other funding pots, therefore there remains significant uncertainty around our funding streams and it makes it extremely difficult to project incomes streams over the medium term. It is important to note that any reduction in Government's allocation of funding to the Council would have a significant detrimental impact and further increase the budget deficit forecast over the medium term. Updates will be provided to Councillors as more information become available.

- 8.6 There is also considerable uncertainty around the cost of adult social care over the medium term due to the increase in demand for services, impact of a fee uplift, impact of the pandemic, impact of the increasing cost of living and the delivery of the Government's 'Build Back Better: Our Plan for Health and Social Care' policy. Services are re-opening following the pandemic and demand in some areas is back at pre-pandemic levels – although the type of service required may be different. In addition, the introduction of the charging reform will increase the number of service users receiving some state support for their care costs. Funding will be available to support these additional costs, however, there is still significant uncertainty over the financial impact of these changes and the level of funding available. As part of the implementation of charging reform the Council is required to conduct a fair cost of care exercise to review levels of payments to providers, and how the Council will move towards this over the medium term, where it is not paid already. The Performance and Budget Monitoring report presented to Cabinet on 7 September 2022, incorporate a new red risk on the General Fund Budget Risk Register to recognise that grant funding may not be sufficient to cover the costs of the reform. In addition, a risk was also incorporated into the Strategic Risk Register presented to Audit and Risk Committee on 26 September 2022. This will be kept under review and updates provided in future reports.
- 8.7 There continues to be a number of emerging pressures, particularly the impact of inflation and subsequent price increases on renewal of contracts, and costs to deliver the capital programme. In addition, changes to the legislation around environmental protection could result in additional costs within our energy from waste plant. Work is ongoing to determine these potential costs. These emerging pressures will continue to be monitored, with updates provided in future reports.
- 8.8 Due to the uncertainties outlined, the overall risk associated with the budget for 2023-2024 and future years is assessed as Red. Work will continue to identify proposals to

ensure the Council is able to set a balanced budget for 2023-2024. The main risks are summarised in Appendix 1.

9.0 Next steps

9.1 A summary of the 2023-2024 budget setting process timetable is detailed below:

Milestone	Timescale
Scrutiny Reserves Working Group – review of reserves	November 2022
Council Tax Base and Business Rates Net Yield 2023-2024 and Draft Budget Update	14 December 2022
Performance and Budget reports to Scrutiny Panels	November / December 2022
Report to Scrutiny Board	January 2023
Report to Cabinet following Local Government Finance Settlement	18 January 2023
Final Budget Report to Cabinet	22 February 2023
Final Budget Report to Full Council	1 March 2023

10.0 Continuous consultation

- 10.1 It is vital that city partners, residents, businesses and voluntary community sector are actively engaged to understand the needs of the city and the things that matter most, seeking opportunities to co-produce innovative solutions to challenges and understand how we should prioritise the use of our finite resources.
- 10.2 Our City: Our Plan reflects the feedback of over 4,500 local people and businesses, and is subject to an annual refresh which will continue to be shaped by the feedback of residents, partners and stakeholders. This will be done alongside the development of the MTFs to ensure the key priorities are reflected within the budget.
- 10.3 Alongside Our City, Our Plan sits a suite of performance management indicators. The Council reports to Cabinet in an integrated performance and budget report, along with referencing where pressures are reflected in the Strategic Risk Register on a quarterly basis.

11.0 Evaluation of alternative options

- 11.1 In determining the financial strategy, consideration has been made to the deliverability of budget reduction and income generation proposals, and budget pressures. If we were not to implement the strategy outlined in this report, alternative options would need to be identified in order for the Council to set a balanced budget for 2023-2024.

12.0 Reasons for decisions

- 12.1 In order to ensure a balanced budget for 2023-2024 it is important that work is progressed as soon as possible. The approval of the draft strategy will enable the

Council to undertake due diligence, consultation and scrutiny in a timely manner to fully inform the budget decision process in accordance with statutory deadlines.

13.0 Financial implications

13.1 The financial implications are discussed in the body of the report.
[AS/10102022/T]

14.0 Legal implications

- 14.1 The Council's revenue budgets make assumptions which must be based on realistic projections about available resources, the costs of pay, inflation and service priorities and the likelihood of achieving any budget reduction proposals.
- 14.2 The legal duty to spend with propriety falls under S.151 Local Government Act 1972 and arrangements for proper administration of their affairs is secured by the S.151 Officer as Chief Financial Officer.
- 14.3 Section 25 of the Local Government Act 2003 requires the Chief Financial Officer to report to the Council when it is making the statutory calculations required to determine its Council Tax. The Council is required to take this report into account when making its budget decision. The Chief Financial Officer's report must deal with the robustness of the budget estimates and the adequacy of the reserves for which the budget provides. Both are connected with matters of risk and uncertainty. They are inter-dependent and need to be considered together. In particular, decisions on the appropriate level of Reserves should be guided by advice based upon an assessment of all the circumstances considered likely to affect the Council.
- 14.4 The relevant guidance concerning reserves is Local Authority Accounting Panel Bulletin 77, issued by CIPFA in November 2008. Whilst the Bulletin does not prescribe an appropriate level of reserves, leaving this to the discretion of individual authorities, it does set out a number of important principles in determining the adequacy of reserves. It emphasises that decisions on the level of reserves must be consistent with the Council's MTFS, and have regard to the level of risk in budget plans, and the Council's financial management arrangements (including strategies to address risk).
- 14.5 In addition, Section 114 of the Local Government Finance Act 1988 requires the Chief Financial Officer to '...make a report ... if it appears to them that the Authority, a committee or officer of the Authority, or a joint committee on which the Authority is represented':
- (a) has made or is about to make a decision which involves or would involve the Authority incurring expenditure which is unlawful,
 - (b) has taken or is about to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency on the part of the Authority, or
 - (c) is about to enter an item of account the entry of which is unlawful.

14.6 The Chief Financial Officer of a relevant Authority shall make a report under this section if it appears to them that the expenditure of the Authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure.

14.7 These statutory requirements will have to be taken into account when making final recommendations on the budget and council tax requirement for 2023-2024.
[DP/11112022/A]

15.0 Equalities implications

15.1 The method by which the MTFFS is developed is governed by the Our City, Our Plan priorities, which itself was guided by consultation and equality analysis. The development of budget reduction and income generation proposals will include an initial equality screening for each proposal as they are developed. Where necessary, full equalities analysis will be undertaken which will provide an initial understanding of the quality impact of the draft proposals.

15.2 All of this will enable Councillors to pay, 'due regard' to the equalities impact of their budget decisions at that point in the budget development process. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so will enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

15.3 Fairness and equality is a key cross cutting theme within Our City, Our Plan.

16.0 All other implications

16.1 The Covid implications are detailed in the body of the report.

17.0 Schedule of background papers

17.1 [2022-2023 Budget and Medium Term Financial Strategy 2022-2023 to 2025-2026](#), report to Cabinet on 23 February 2022 and Full Council on 2 March 2022

17.2 [Performance and Budget Outturn 2021-2022](#), report to Cabinet on 15 June 2022.

17.3 [Draft budget and Medium Term Strategy 2023-2024 to 2025-2026](#), report to Cabinet on 27 July 2022

17.4 [Performance and Budget monitoring 2022-2023](#), report to Cabinet on 7 September 2022

17.5 [Strategic Risk Register](#), report to Audit and Risk Committee on 26 September 2022

18.0 Appendices

18.1 Appendix 1 – Risk Register