



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE OVERVIEW AND SCRUTINY BOARD

MONDAY 18TH OCTOBER 2021, AT 6.00 P.M.

PARKSIDE SUITE - PARKSIDE

SUPPLEMENTARY DOCUMENTATION

The attached papers were specified as "to follow" on the Agenda previously distributed relating to the above mentioned meeting.

5. Budget Framework Report (Pages 1 - 8)

K. DICKS
Chief Executive

Parkside
Market Street
BROMSGROVE
Worcestershire
B61 8DA

12th October 2021

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Cabinet

20th October 2021

2022/23 Annual Budget and Medium-Term Financial Plan: Updated Budget Framework and Member Engagement Plan

Relevant Portfolio Holder		Councillor Geoff Denaro
Portfolio Holder Consulted		Yes
Relevant Head of Service		Chris Forrester
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Wards Affected		No
Ward Councillor(s) consulted		N/A
Relevant Strategic Purpose(s)		All
Non-Key Decision		
If you have any questions about this report, please contact the report author in advance of the meeting.		

1. RECOMMENDATIONS

The Cabinet resolves that:-

- 1) That the updated member engagement plan for the 2022/23 Budget and MTFP Report is noted and supported.

2. BACKGROUND

Budget Setting (decision making) Context

- 2.1 The Council's 2022/23 Budget and (annually updated) Medium Term Financial Plan (MTFP) 2022/23 to 2024/25 provides the framework within which revenue and capital spending is undertaken in an affordable and sustainable way.
- 2.2 The Council's 2022/23 Budget and (annually updated) Medium Term Financial Plan (MTFP) is subject to approval by Council in February 2022. It is a statutory requirement to do so by early March.
- 2.3 This (Budget and MTFP) report received by Council in February 2022 inevitably includes a degree of financial detail and nuance. Also, some of the financial data (for example in relation to precept values and the details of the Local Government Financial Settlement agreed by Central Government) is not available until late in the process. As a consequence, the formal approval process has an inherent degree of complexity and time pressure, which can be a challenge to sound, transparent decision making.

Cabinet

20th October 2021

Financial Context

- 2.4 The Council's financial context must be considered to be a challenging one given:
- i. significant savings have been identified but still needs to delivered over the medium term as part of the approved MTFP;
 - ii. General Reserve balances, though adequate currently, are forecast to decline without further action;
 - iii. there are high levels of planning uncertainty with regards to the levels of available funding in coming years; and
 - iv. Covid-19 has, and will continue for some time, to have a negative effect on the Council's Leisure and other income generating activities.
- 2.5 The Council will therefore need to continue to carefully consider how it prioritises resources and balances budgets in a sustainable and affordable way, as part of its Budget setting process.

Unprecedented Levels of Uncertainty

- 2.6 The future of the system of local government finance remains uncertain. The government has committed to re-assess the baseline need for spend in each local authority (through its 'Fair Funding review'). This has been pushed back (again) to 2023/24 at the earliest - but is still expected to happen. This review will have a significant impact on the government's calculation of the Settlement Funding Assessment for (and therefore the amount of funding available to) this council - and remains therefore a significant risk.
- 2.7 It also remains uncertain as to what the Government's plans are with regards to the system of business rates - including the share of business rates retained locally. It is also unclear as to whether Government will announce a one-year financial settlement for Local Government in the Autumn (for 2022/23) or a multi-year settlement.
- 2.8 Furthermore, the short, medium and long term impact of the Covid- 19 pandemic and UK's exit from the European Union (on residents, the economy and the state of national and local government finance) remains uncertain.

Cabinet

20th October 2021

- 2.9 Taken together therefore (the outcome of the fair funding review, the future of business rates, COVID-19, Brexit and the state of the local and national economy) represents a challenging context within which to set the budget and MTFP - one characterised by an unprecedented level of uncertainty.

Member Feedback

- 2.10 In recent years there has also been an expressed appetite on the behalf of members to understand more about the underlying issues within the Budget and MTFP, and an acknowledgment of the importance of involving members in advance of the formal report on the Budget received by full Council in February each year.

Purpose of this Report

- 2.11 Given the above context (of an inherently complex February 2022 Budget Report and MTFP, the need to prioritise resource and balance budgets, unprecedented levels of uncertainty and member feedback) the purpose of this report is to set out an updated member engagement plan for the 2022/23 Budget and MTFP Report.

2022/23 Annual Budget and Medium-Term Financial Plan: Budget Framework and Member Engagement Plan

- 2.12 In order to improve levels of engagement with members, a number of developments are planned as part of the Budget setting process including:
- i) Presenting a simple reconciliation between the previously approved Budget and MTFP to the updated Budget and MTFP
 - ii) Updating the approach and timetable for member engagement to include
 - a. additional engagement opportunities (through the Finance and Budget Working Group and through such as workshops) open to all political parties.
 - b. Earlier engagement opportunities (than the formal February Budget Report)
 - c. Reasonable opportunity for suggestions to be considered.

Cabinet

20th October 2021

Reconciling the previously approved Budget and MTFP to the updated Budget and MTFP

2.13 The Council's updated budget and MTFP will be set out in full in February 2022 and inevitably will contain a significant amount of financial data, and the large number of adjustments and alterations to previous years budgetary estimates.

2.14 In order to cut through this complexity and help members and stakeholders understand the key issues within the budget the Council's Section 151 Officer intends to include a reconciliation of the headline numbers included in the previous and updated MTFP as summarised in the following table:

	22/23	23/24	24/25
Previous Forecast Surplus / Deficit	£x m		
+ Corrections			
+ Assumptions Changes			
+ Pressures			
+ Covid funding impact			
+ Resource Planning and Prioritisation (RPP)			
= Updated Forecast Surplus / Deficit			

Key

Corrections: One of the outcomes of budgetary control, closedown and setting procedures is the identification of errors in the underlying budgets. The implementation of TechOne will assist this important housekeeping exercise.

Assumptions: All budgets include estimates and assumptions. Eg. Inflation and interest rates, Government grants, council tax base and collection rates. These are updated annually.

Pressures: Expenditure (and income) budgets required to deliver previously approved strategies and plans

Cabinet

20th October 2021

are subject to a multitude of market forces, sector issues, demographics and other matters.

Covid funding: Covid-19 related grant funding has been made available recently and will be separately identified in order to provide transparency as to how this funding will be allocated.

Resource Planning and Prioritisation (RPP):

RPP is the outcome of the steps taken to identify options to do things differently and more efficiently, to identify savings but also required areas of investment. It is the culmination of a 'check and challenge' process with regards to the Council's budgets, led by the Corporate Management Team and presented to Cabinet (and ultimately full Council). It is a critical element of the Council operating within available resources.

Planned 2022/23 Budget (and MTFP) Member Engagement Timetable

- 2.15 It is anticipated that using the above reconciliation to focus in on the key issues driving the updated Budget and MTFP will improve member engagement.
- 2.16 Additional member presentations will also be undertaken as part of the process in the lead up to the presentation of the formal Budget and MTFP Report, as summarised in the table below.

Date	Activity	Outcome(s)
August	CMT RPP Session	RPP Savings / Options Earmarked reserve review
September	Modelling of RPP Session	Outline Budget Analysis
October to December	Cabinet and CMT RPP Sessions	Budget options / buy in / steer
November	Finance and Budget Working Group	Engagement on budget
Dec/Jan	All Member Budget Briefing	Engagement on budget
January	Cabinet reporting	Formal Budget MTFP Report approved for Council
February	Council (and O&S) reporting	Approved Budget / MTFP

Cabinet

20th October 2021

- 2.17 NB. It should also be noted that in addition to the above, steps are being taken to further strengthen the members training schedule with regards to local government finance more broadly (which will include budget setting, but also other key elements of local government finance such as accounting and audit arrangements).
- 2.18 It should also be noted that the above does not alter the terms of reference of the Finance and Budget Working Group who will continue to have the right and opportunity to choose to pre-scrutinise budget reports during the year.

3. FINANCIAL IMPLICATIONS

- 3.1 The Council's 2022/23 Budget and (annually updated) Medium Term Financial Plan (MTFP) 2022/23 to 2024/25 provides the framework within which revenue and capital spending is undertaken in an affordable and sustainable way.
- 3.2 While this report, in itself does not have any direct financial implications, effective member engagement as part of robust governance and decision making arrangements, is an important part of setting robust, affordable and sustainable budgets.

4. LEGAL IMPLICATIONS

- 4.1 As part of the budget and the Council Tax approval process, the Council is required by the Local Government Finance Act 1992 to make specific calculations and decisions in approving a balanced budget for the following financial year and setting the Council Tax Level. These will be included in the resolutions and presented to Council on 23 February 2022.
- 4.2 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for the proper administration of their financial affairs.

5. STRATEGIC PURPOSES - IMPLICATIONS

Relevant Strategic Purpose

- 5.1 The budget and MTFP is the financial expression of the Council's priorities and therefore underpins all of the Council's strategic purpose(s).

Cabinet

20th October 2021

- 5.2 All of the Council's strategic purposes are considered within the Resource Planning and Prioritisation element of the Council's budget setting process.

Climate Change Implications

No implications.

6. OTHER IMPLICATIONS

Equalities and Diversity Implications

- 6.1 No implications.

Operational Implications

- 6.2 Officer support from the Finance and Democratic Services teams will be needed to deliver this plan.

7. RISK MANAGEMENT

Improved member engagement will help raise the awareness of the Council's financial risks, thereby helping to mitigate them.

8. APPENDICES and BACKGROUND PAPERS

None.

Cabinet

20th October 2021

9. REPORT SIGN OFF

Department	Name and Job Title	Date
Portfolio Holder	Councillor Geoff Denaro	
Lead Director / Head of Service	James Howse / Chris Forrester	23/8
Financial Services	Chris Forrester	23/8
Legal Services	Claire Felton	23/8