

SUBJECT:	MEDIUM TERM FINANCIAL PLAN UPDATE AND BUDGET SETTING PROCESS FOR 2025/26
MEETING:	CABINET
DATE:	16th October 2024
DIVISION/WARDS AFFECTED:	WHOLE AUTHORITY

1. PURPOSE:

- 1.1. To provide the latest six-monthly update of the Council's medium term financial planning.
- 1.2. To set out an initial modelled budget shortfall for the financial year 2025/26 and to agree a budget setting process that will enable a balanced budget to be presented to Council in March 2025.

2. RECOMMENDATIONS:

- 2.1. That Cabinet notes a modelled initial budget shortfall of £11.4 million to be addressed.
- 2.2. That Cabinet sets an expectation that the budget build for 2025/26 will recognise priorities set within the Community and Corporate Plan with reducing the impact of inequality on citizens and climate change on communities being central to all considerations.
- 2.3. That Cabinet adopts the budget planning framework and timetable outlined in **Appendix 1 and 2**.
- 2.4. That Cabinet note the current progress indicated against the Medium Term Financial Strategy delivery plan as outlined in Section 13 of **Appendix 1**.

3. KEY ISSUES:

Summary

- 3.1. This report presents an update of the latest medium term financial planning framework and outlines the approach to developing a balanced budget for financial year 2025/26, together with a high-level indication of the financial outlook over the medium term.
- 3.2. The budget will be shaped by the priorities set in the approved Community and Corporate Plan. Central themes of reducing the impact of inequality on citizens and climate change on communities will hold primacy. Some things may need to be reprofiled into later years of the council term to ensure the organisation remains financially sustainable.

- 3.3. The initial budget model highlighting a shortfall of £11.4 million takes account of the impact of the current economic situation, service demand pressures and latest intelligence on key budget assumptions, including funding levels.
- 3.4. The 2025/26 budget will need to be set with minimal recourse to reserves. In-year spend will need to be met from in-year resources. This necessary discipline makes the challenge greater.

4. Budget strategy

- 4.1. The financial outlook over the near to medium term remains challenging, and the initial budget shortfall modelled for 2025/26 is large, representing 5.5% of the Council’s net budget. The Council will need to draw on its experience and track record of bringing forward significant saving proposals. Income generation, cost reduction, tax increase, application of grant, and service change will all need to play a part in achieving a balanced budget.
- 4.2. This is a challenge that the whole organisation will need to respond to positively with thoughtfulness and urgency. It is achievable but there will likely be unpalatable choices with the service offer in some areas reducing.
- 4.3. Budget modelling and underlying budget assumptions are based on accurate and up to date information. Amongst other things, they benefit from:
 - In year budget monitoring information;
 - Assessments of legislative changes that impact service delivery;
 - Independent advice and analysis;
 - Demand projections based on trend and data analysis.
- 4.4. The budget process is not to be considered a standalone exercise. When done well it is a mechanism to bring forward and deliver on Community and Corporate Plan priorities. The approach in any year, but particularly a financially challenging year, needs to demonstrate clear alignment between financial choices and service / policy impact.
- 4.5. Cabinet remains committed to the strategic budget principles as approved within the Medium Term Financial Strategy (MTFS) to guide this task.

MTFS Strategic Budget Principles	
1.	To maintain financial management arrangements that will be sufficiently robust to support the delivery of financial plans and mitigate corporate risks.
2.	A citizen facing budget focused on equality and climate change that mitigates any potential increase in inequality caused by the Councils actions.
3.	A balanced budget reflecting objectives, priorities and commitments set out in the Council's Community and Corporate Plan.
4.	Council budgets to be continually reviewed to ensure resource allocations are delivering value money and continue to align to the delivery of priority outcomes.

MTFS Strategic Budget Principles

5. Budgets set without budget shortfalls having general recourse to reserve funding. In year spending will be met by in year funding.
6. The Council Fund (general reserve) will be maintained at a minimum of 5% of Net Revenue Expenditure (excluding the Schools Delegated budget) over the period of the MTFS.
7. An affordable and acceptable level of council tax increase with qualifying households being encouraged to access all dispensations they are entitled to receive.
8. To increase existing fees and charges. As a minimum fees and charges will be increased to match cost inflation. The Council will review opportunities to introduce new fees as appropriate.
9. To manage, wherever possible, any necessary reduction in the workforce through turnover rather than through specific voluntary or compulsory redundancy programmes.
10. To optimise the use of specific grant funding across the Council, taking advantage of legitimate opportunity to offset existing core cost through direct charge to the funding stream.
11. To sustain services through the development of strategic partnering arrangements with other local authorities, public sector partners, town and community councils, and third sector organisations.
12. Informed estimates will be factored into the MTFP for cost pressures anticipated to result from inflation, demand increases, growth and investment.
13. To maintain a budget contingency budget of no less than £1m from 2025/26 with specific criteria for its use. No reduction in the budget is permissible unless there is a clear and realistic plan for reinstating the budget within the Medium Term.
14. To optimise the use of land and buildings and consider alternate uses or disposal where there is not a clear ongoing case for continued use.
15. To be open to using capital receipt balances to support one-off revenue expenditure associated with service reform and to reviewing existing capital programme commitments not yet entered into.
16. Capital investment decisions will support the Council's corporate priorities and mitigate any statutory risks taking account of the return on investment and robust business cases.
17. Prudential borrowing will only be used to support the capital programme where it is affordable and sustainable within the Council's overall borrowing limits and the revenue budget over the long term.
18. To act in accordance with council's risk appetite in determining the amount of risk that the council is willing to seek or accept in the pursuit of its objectives.

- 4.6. Equal rigor will be applied to new or recurrent pressures being proposed for inclusion in the budget process. It is often easier to avoid or mitigate a pressure than it is to find an equivalent saving. On-going efforts to identify savings will continue, whether through service efficiencies, change, reduction, or via limited scope for increases in fees and charges.
- 4.7. The business cases for both budget pressures and savings will be scrutinised at a number of stages during the process. The timetable shown in **Appendix 2** illustrates the extent of officer and member input into the process.
- 4.8. Business Cases that contain budget pressures will generally reflect current and anticipated future service demands, national and local policy changes, evidence-based pressures brought forward from the current financial year, and other risk related issues. However, business cases will need to be restricted to those that are absolutely essential, and as such are inescapable pressures.
- 4.9. The proposed milestone dates in developing the budgetary process for 2025/26 are as follows:

Refresh of budget modelling using updated assumptions & data	September 2024
Budget workshops – SLT/Cabinet/Groups/Officers	October 2024
High level pressure & saving mandates produced for Cabinet scrutiny	October 2024
Report on budget process and timetable - Cabinet	16th October 2024
Final pressure & saving mandates to be produced	December 2024
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2024
Consideration of Welsh Government Provisional settlement	11th December 2024
Set Council tax base - ICMD	18th December 2024
Consideration of draft revenue & capital budget proposals - Cabinet	January 2025
Scrutiny of Proposals - Select Committees	January 23rd to 22nd February 2025
Public Consultation for 2025/26 budget	January 23rd to 22nd February 2025
Consideration of scrutiny, consultation, final pressures, savings & assumptions	25th February 2025
Consideration of Welsh Government Final settlement	25th February 2025
Final budget proposals - Cabinet	5th March 2025
Formal Council Tax Resolution & Budget Proposals - Council	6th March 2025

- 4.10. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 11th December 2024 which will allow the Council to understand whether any additional funding is likely to be received over and above current assumptions.
- 4.11. Ministers have been clear of the scale of the current funding challenge facing the public sector in Wales and that it is extremely unlikely that any significant additional funding will be forthcoming to Local Government based on current circumstances. The Chancellor's Autumn budget statement on 30th October is therefore seen as critical in identifying whether public funding will see any further improvement.
- 4.12. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.

- 4.13. Formal scrutiny of the draft budget proposals will take place through the normal scrutiny committee cycle in January and February, including if necessary one overall scrutiny meeting to consider the budget proposals as a whole.
- 4.14. Public consultation will also take place subsequent to the special Cabinet meeting in January 2025 and will run until the 22nd February 2025.
- 4.15. Final budget proposals will be presented back to Cabinet on 5th March after consideration of consultation feedback. The budget will then go to Council on the 6th March in order to meet the statutory requirement to set a Council Tax for the following year. This presents a challenge for setting next year's budget, as Welsh Government intends to only release final settlement information shortly before this date on 25th February 2025. This date may change, but where necessary may involve the final budget proposals containing potential options to mitigate the potential for any adverse final settlement revision.

5. EQUALITY AND FUTURE GENERATIONS EVALUATION (INCLUDES SOCIAL JUSTICE, SAFEGUARDING AND CORPORATE PARENTING):

- 5.1. There is a requirement placed on Local Authorities to comply with the general equality duties set out in the Equality Act 2010 and the specific equality duties such as the statutory responsibilities to assess the equality impacts of their budgetary decisions. The Equality Act 2010 places a General Duty on Monmouthshire County Council to eliminate discrimination according to nine "protected characteristics" (age, belief and non-belief, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, and sexual orientation). Also we need to comply with the Welsh Language Act 1993 and the Welsh Language Measure 2011 through which the Welsh Language Commissioner has shaped the Welsh Standards in force from 30th March 2016.
- 5.2. The Wellbeing of Future Generations Act requires public bodies to improve social, economic, environmental and cultural wellbeing, by taking action in accordance with the sustainable development principle aimed at achieving the Wellbeing Goals. The authority was an early adopter of The Act and re-shaped its pre-decision evaluation tool to reflect the well-being goals and the principles which it sets out.
- 5.3. Whilst there are no significant impacts identified at this stage it is important to outline the process by which the Council intends to respond to these issues by building considerations of equality, diversity and sustainability into the planning and delivery of its budget process by:
 - Requiring Chief Officers to undertake a Future Generation evaluation (FGE) of all savings proposals that are offered for their service area to contribute towards the Council's overall savings target and for that process to start at the commencement of the budget process.
 - Producing an overall FGE assessment of the revenue budget proposals and publishing this as part of the revenue budget proposals for consultation.
 - Undertaking a FGE assessment of the capital budget proposals and publishing this as part of the capital budget proposals for consultation.
 - Enabling the Council's Cabinet Members to consider initial savings proposals with the benefit of the FGEs, and to make initial decisions based on this information.

- Deciding that once the final shape of the budget is agreed by Council in March 2025, Council service areas carry out continued detailed work to mitigate and manage any equalities or Future Generation issues that have been identified.
 - Including the FGEs as part of both draft and final budget proposal reports and published on the Council's website so that residents can understand the factors that went into the planning of the 2025/26 budget.
 - Ensuring that where proposals will be the subject of further reports it is expected that further FGEs will be undertaken at that time and where savings are being made from decisions already taken then those implementing those decisions should consider mitigating any negative impacts where necessary.
- 5.4. There is a continued intention to enhance the impact assessment process going forward with profiles of typical Monmouthshire residents being used to better anticipate the compounded effect of multiple proposals.

6. OPTIONS APPRAISAL

- 6.1. This report provides an updates on the Council's financial planning and provides an overview of the process for the 2025/26 budget setting process. When budget proposals are developed and brought forward for consultation an option appraisal will be completed for each substantive saving and pressure.

7. EVALUATION CRITERIA

- 7.1. Whilst the nature of this report does not require any evaluation, the annual budget process is reviewed on an ongoing basis and based on feedback received from the public, members and officers. Cabinet and the Strategic Leadership Team review the process and feedback and recommendations for improvement.
- 7.2. The changes incorporated as a result of this year's approach are referenced throughout the report.

8. REASONS:

- 8.1. To provide the latest six-monthly update of the Council's medium term financial planning.
- 8.2. To set out an initial modelled budget shortfall for the financial year 2025/26 and to agree a budget setting process that will enable a balanced budget to be presented to Council in March 2025.

9. RESOURCE IMPLICATIONS:

- 9.1. There are no resource implications arising directly from this report. Resource implications will subsequently arise from the draft revenue and capital budget proposals considered by Cabinet at its meeting in January.
- 9.2. The budget process will see draft budget proposals developed and brought forward to Cabinet for consideration and ahead of release on consultation and to ensure that feedback is sought and appropriately reflected in final budget proposals considered by Cabinet in

March 2025. Council tax and the final budget proposals will be approved by Council in March 2025.

10. CONSULTEES:

Strategic Leadership Team
All Cabinet Members

11. BACKGROUND PAPERS:

Appendix 1 – MTFP update and 2025/26 Budget planning framework
Appendix 2 – 2025/26 Budget timetable

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