

**SUBJECT: BUDGET SETTING PROCESS AND TIMETABLE 2024/25**

**MEETING: CABINET**

**DATE: 15<sup>th</sup> November 2023**

**DIVISION/WARDS AFFECTED: WHOLE AUTHORITY**

## **1. PURPOSE:**

- 1.1. To set out an initial modelled budget shortfall of £14.4 million for financial year 2024/25 and to agree a budget setting process that will enable a balanced budget to be presented to Council in February 2024.

## **2. RECOMMENDATIONS:**

- 2.1. That Cabinet notes a modelled initial budget shortfall of £14.4 million to be addressed.
- 2.2. That Cabinet sets an expectation that the budget build for 2024/25 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**.

## **3. KEY ISSUES:**

### **Summary**

- 3.1. This report presents a planning framework to develop a balanced budget for financial year 2024/25, 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 £14.4 million takes account of the impact of the current economic situation, service demand pressures and latest intelligence on likely funding levels.
- 3.4. The 2024/25 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 is challenging, and the initial budget shortfall is large. The Council will need to draw on its experience and track record of bringing forward significant saving proposals. Income generation, cost reduction, tax raise, application of grant, and service reform will all need to play a part in achieving a balanced budget. 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.
- 4.2. Budget modelling and underlying budget assumptions are based on accurate and up to date information. Amongst other things, they benefit from:
- In year month 5 budget monitoring information.
  - Assessments of legislative changes that impact service delivery.
  - Demand projections based on trend and data analysis.
- 4.3. The budget is not a freestanding exercise. Done well it is a mechanism to bring forward Community and Corporate Plan priorities. The approach in any year, but particularly a difficult year, needs to demonstrate clear alignment between financial choices and service / policy impact. Cabinet has determined the framework below to guide this task.

Strategic budget principles 2024/25
A citizen facing budget focused on fairness and sustainability that mitigates any potential increase in inequality caused by the Councils actions.
A balanced budget reflecting objectives, priorities and commitments set out in the Council's Community and Corporate Plan.
A budget set without recourse to reserve funding. In year spending will be met by in year funding.
An affordable and acceptable level of council tax increase with qualifying households being encouraged to access all dispensations they are entitled to receive.
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.
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.
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.
To manage, wherever possible, any necessary reduction in the workforce through turnover rather than through specific voluntary or compulsory redundancy programmes.
To optimise the use of specific grant funding, taking advantage of legitimate opportunity to offset existing core cost through direct charge to the funding stream.
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.

- 4.4. 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, service reform, reduction, or via limited scope for increases in fees and charges.
- 4.5. 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.
- 4.6. 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.
- 4.7. The proposed milestone dates in developing the budgetary process for 2024/25 are as follows:

Refresh of budget modelling using updated assumptions & data	September 2023
Budget workshops – SLT/Cabinet/Groups/Officers	October 2023
High level pressure & saving mandates produced for Cabinet scrutiny	November 2023
Report on budget process and timetable – Cabinet	15th November 2023
Final pressure & saving mandates to be produced	December 2023
Budget assumptions, pressures and savings to undergo further Cabinet scrutiny	December 2023
Consideration of Welsh Government Provisional settlement	20th December 2023
Set Council tax base	20th December 2023
Consideration of draft revenue & capital budget proposals - Cabinet	17th January 2024
Scrutiny of Proposals - Select Committees	January 18th to 17th February 2024
Public Consultation for 2024/25 budget	January 18th to 17th February 2024
Consideration of scrutiny, consultation, final pressures, savings & assumptions	20th February 2024
Consideration of Welsh Government Final settlement	27th February 2024
Final budget proposals – Cabinet	28th February 2024
Formal Council Tax Resolution & Budget Proposals	29th February 2024

- 4.8. **Appendix 2** identifies the detailed timetable that covers the complete process.
- 4.9. Welsh Government intends to publish the draft provisional funding settlement for local authorities on the 20th December 2023. We will then know whether or not the Council will receive any additional funding over and above the indicative average uplift for 2024/25 set out in the 2023/24 settlement. Ministers have been clear in their messaging that it is extremely unlikely that additional funding will be forthcoming and have pointed to the impact inflation has had on budgets. The Chancellor’s Autumn budget statement on 22nd November is seen as critical in identifying whether public funding will see any further improvement.

- 4.10. Where necessary up-front engagement with key stakeholders will take place ahead of draft budget proposals being released for consultation.
- 4.11. 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.
- 4.12. Public consultation will also take place subsequent to the special Cabinet meeting in January 2024 and will run until the 17th February 2024. Feedback from the 2023/24 exercise highlighted that virtual and online consultation was welcomed and these options will again be explored to ensure that nobody is disproportionately disadvantaged in their ability to respond during the budget consultation period.
- 4.13. Final budget proposals will be presented back to Cabinet on 28th February 2024 after consideration of consultation feedback. The budget will then go to Council on the 29th February 2024 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 27th February 2024. 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 February 2024, 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 2024/25 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 looks to provide an overview of the process for the 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 an update to Cabinet on the budget challenge for 2024/25 resulting from an update to the MTFP budget model and underlying assumptions.
- 8.2. To outline the budget process and framework and that will necessarily include the opportunity for full and informed engagement, consultation on and scrutiny of budget proposals and processes.

## **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 next February. Council tax and the final budget proposals will be approved by Council late next February.

**10. CONSULTEES:**

Strategic Leadership Team  
All Cabinet Members

**11. BACKGROUND PAPERS:**

*Appendix 1* – 2024/25 Budget planning framework

*Appendix 2* – 2024/25 Budget timetable

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