Report to:	**Cabinet**
Date:	**2 November 2022**
Title:	**Draft Medium Term Financial Strategy 2023/24-2026/27**
Report of:	**Homira Javadi, Chief Finance Officer**
Cabinet member:	**Councillor Stephen Holt, Deputy Leader of the Council, Cabinet Member for Finance**
Ward(s):	**All**
Purpose of report:	**To agree the updated General Fund budget and updated Medium Term Financial Strategy, together with the updated Capital Programme position.**
Decision type:	**Key decision**
Officer recommendation(s):	**Cabinet is asked to:** **a. note the updated MTFS forecasts and the requirement to identify additional savings of £2.6 million for the period 2023/24 to 2026/27, but also note that this forecast could change significantly based upon outcome of future government funding settlements, the ongoing impact of the pandemic, demand for services and inflationary pressures upon the council;** **b. note that at this stage a forecast £1.9 million of savings are required to balance the 2023/24 budget; and** **c. note the planned review of earmarked reserves and reallocate in line with the emerging risks where possible.**
Reasons for recommendations:	**The provide Cabinet with and update and early sighting of key MTFS and budgetary implications in preparation for the setting of a revenue budget and associated Council tax for the forthcoming financial year by law.**
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1 Executive Summary

1.1 The council is continuing to operate in a period of significant financial uncertainty. When the 2022/23 budget was approved in February 2022, the council was concerned about the ongoing and consequential impact of the pandemic and the uncertainty of future local government finance settlements.

1.2 Whilst these concerns remain, they are now overshadowed by the forecast impact of high inflation, especially in relation to fuel and energy prices. The impact of inflation is being experienced across all council services with no part of the council's budget unaffected. Energy costs are significantly above original budget forecasts, despite a provisional increase being built into the base energy budgets this year, along with the majority of other major spend areas such as waste and fleet.

1.3 On 8 September 2022, the Government announced a package of measures to cap energy costs for households and businesses, with further detail published on 22 September 2022. At the time of preparing this report more detail on how the support to businesses will work in practice was awaited. The support to business is only for six months and therefore will only help alleviate some of the pressure being experienced in 2022/23 and therefore is not expected to help offset the budget growth that is required in 2023/24. The MTFS forecasts assumes that prices for gas and electricity return closer to 2022/23 budgeted levels over the following two years.

1.4 Inflation is also impacting upon bank base rates and expected pay settlements for our employees with future National Living Wage increases expected to exceed previous expectations, which will impact upon the cost of services.

1.5 All these issues are making financial planning difficult and are resulting in adjustments to the financial position as compared to that reported to Cabinet earlier in the year, with significant additional pressure falling into 2023/24.

1.6 On 23 September 2022, it was announced that the 1.25% increase in National Insurance was being withdrawn from November 2022. This will produce both an in-year saving in 2022/23 (of circa £33k) and a base budget reduction from 2023/24 of circa £80k.

1.7 There continues to be significant uncertainty in terms of future financial settlements for local government and how available funding will be shared between local authorities. Local authorities continue to be provided with one-year financial settlements, which provide little financial certainty and security and given the timing of these announcements in late December, provides little time to react.

1.8 Local authorities desperately need early notification of how much, if any, additional government support will be provided in 2023/24 to offset the significant financial pressures faced by the sector due to the present high levels of inflation. It appears at this stage however that there will not be early notification of funding levels for 2023/24, leaving local authorities to continue to plan for the worst i.e., no further funding being made available.

1.9 Although it was anticipated that in the 2022/23 local government finance settlement that the Fair Funding Review (FFR) would be implemented, it is expected that the implementation of the findings from the FFR, may now be delayed until at least 2024/25 but more likely to be 2025/26.

1.10 The lack of clarity in relation to the quantum of future financial settlements and the FFR is exacerbated by uncertainties in relation to future council tax referendum levels, the distribution and retention of business rate, and the ongoing impact of the pandemic upon council services and especially council income.

1.11 This level of uncertainty is making financial planning extremely challenging and requires the council to be reactive and adaptable. In this regard the stronger financial position of the council will help the council to react effectively to many outcomes if needed. That said, without significant additional government funding the council will be placed in a challenging situation and will be required to make very difficult decisions to address these pressures in setting balanced budgets in 2023/24 and in future years.

1.12 As we continue budget planning for 2023/24, in line with previous practice, the MTFS has been reviewed and the financial forecasts for the next four years updated. Financial plans have been updated to consider the impact of inflation upon council costs with the consumer price index forecast to peak at over 10% by the end of 2023, the forward forecasts of energy costs and the pay increases forecast for the 2023/24 of nearly 7%.

1.13 The latest forecasts indicate a funding gap / savings requirement of £2.58 million will be required to balance the budget over the 2023/24 to 2026/27 period, with this figure being required by 2024/25 followed by a softening of requirement in later years of the MTFP.

1.14 Savings are forecast to be required in all years of MTFS as budget pressures and the impact of funding reductions outstrip the council's ability to generate additional income from business rates and council tax. The forecasts assume the council will apply the maximum increases in its Council Tax it is allowed to across each of the next four years, in line with government guidance.

1.15 The achievement of an additional £2.58 million of savings over the next two years would be extremely challenging and should not be underestimated – more so given the savings that the council has been required to achieve in the last three years. The emphasis since 2011/12 has been to minimise savings from front line services by protecting them wherever possible whilst maximising savings in management and support functions and by targeting increased income. This is becoming much more difficult however, as the scope for further savings is becoming exhausted following the delivery of Recovery and Stabilisation savings since 2019/20.

1.16 The total savings required at this stage for 2023/24 to balance the budget amount to £1.9million, although it must be recognised that this figure could change significantly depending on whether the government provide much needed additional resources to the sector in 2023/24 and whether the council experiences further additional financial pressures due to demand, loss of income or due to the impact of inflation especially in relation to energy.

1.17 The previous forecasts, presented to Cabinet in February 2022, identified a forecast funding shortfall of £1.5 million for 2023/24. The updated forecasts show that overall savings requirements across the next four years are not too dissimilar in trend, but the challenge in setting a balanced budget next year is significantly more difficult.

1.18 Work will continue over the coming months to identify additional savings options to help to balance next years and future years budgets. In this regard however local government requires confirmation of funding settlements for the future to ensure there is a clear understanding of the financial challenges faced.

1.19 To ensure budgets can be balanced whilst clarity is provided and to provide time to work up proposals to reduce expenditure to address the underlying budget position, a thorough review of all earmarked reserves is being undertaken to ensure that corporate reserves are in place to ensure the council can set balanced budgets. This review will result in options to re-prioritise earmarked reserves and increase support for the MTFS. The application of reserves in this way is not a sustainable solution to the financial challenges we face. Until there is greater clarity, the programmes and projects funded from earmarked reserves are being paused at this time.

1.20 The MTFS forecasts continue to assume that there will be a 2% council tax increase in 2023/24 along with the later MTFP years, in line with previous assumptions.

1.21 Given the increase in inflation and the base rates in recent months and forward forecasts for the cost of borrowing, the capital programme is undergoing a review and risk assessment. Any potential for further increases could reduce the scope of new capital expenditure that could be funded from the prudential borrowing provision factored into the plans at present.

1.22 Pre-commitments to existing programmes and business as usual requests could exceed allocated capital resource in MTFS, which together with the impact of construction price inflation, will lead to some difficult choices to be made around re-prioritising existing commitments and scaling back or increasing the pressure on the MTFS by requiring greater provision for prudential borrowing, which would increase the savings targets in MTFS.

1.23 Although the position beyond 2024/25 appears to be not as challenging as in 2023/24, this is mainly due to revised assumptions in terms of the outcome of the Fair Funding Review and an assumption that energy prices fall back to 2020/21 budget assumptions across 2025/26 and 2026/27, plus an assumption that provision for new prudential borrowing remains unaltered once the capital bids are assessed. This position will need to be closely monitored to ensure plans are in place for any eventuality

2 Background

Covid 19 Pandemic

2.1 In 2020, the Council's financial position like many other public and private sector organisations was put under severe stress by the pandemic. Alongside seeking £12.8m of Capitalisation (over two years 2020/21- 2021/22) from the government and in order to address its financial difficulties, the Council implemented a major Recovery and Reset programme. It aims to ensure that it makes the required savings and transform the Council. The Council delivered c. £2.4m of savings and additional income in 2021/22 and a further £4m in 2022/23 – reducing its net expenditure by over £6m.

2.2 Planning for a post COVID council is very challenging. Since there are many unknowns and yet to be tested assumptions. These assumptions will be monitored on an ongoing basis to ensure any deviations from the budgetary estimates are addressed as promptly as possible.

Recovery and Stabilisation (R&S) Programme

2.3 Since 2020, the R&S programme has been the vehicle through which the council has co-ordinated its response to the Covid-19 pandemic and the subsequent impact on the economy (both for the council and the borough). R&S oversees and guides the priority activity to address the challenges of the council's new operational context in a sustainable way, and to respond to the changing needs and demands of residents.

2.4 Over the last 2 years, the R&S programme has made strong progress in leading and delivering the changes required in support of the council's response to the Covid-19 pandemic and the work to manage the budget shortfall over the life of the Medium-Term Financial Strategy (MTFS) period. Following the capitalisation direction from central government in early 2021 in response to the extreme financial pressures being experienced, and the subsequent external assurance review being undertaken in the summer of 2021 and the resulting report being published in December, Cabinet agreed in February 2022 that the process of monitoring progress of the external assurance review will be undertaken as part of the R&S activity. Since that time, Corporate Management Team (CMT) has regularly considered the assurance review and progress against the associated recommendations at its twice-weekly Recovery and Stabilisation Oversight meetings. The table below sets out the R&S savings plan which was revised to £2.258m and identified within the 2021/22 budgets alongside the actual delivery £1.902m.

R&S Programme 2021/22	Planned 2021/22	Delivered 2021/22	Additional Savings
Total savings	2,258.25	2,467.05	208.8

2.5 The actual delivery against these specific targets was £2.467m, which has been delivered recurrently. Additional and one-off savings have been achieved within 2021/22, and the allocation of these savings and the ability for these to be on-going will be reviewed. Savings targets for 2022/23 will continue to be monitored in line with the economic recovery. Additional pressure, due to the increased inflation and increased fuel prices, will increase the funding gap, and opportunities to deliver further efficiencies will be explored.

2.6 To ensure the 2023/24 budget and MTFS can be developed effectively, and savings targets delivered in time to produce a balanced budget, it is important that a robust plan and timetable is agreed and followed.

2.7 The council is committed to strong financial governance and getting value for money whilst ensuring that any council tax increases are justified and affordable.

2.8 It is prudent that the council continues to plan across a four-year timeframe. During this period the council will continue to face significant and unavoidable budget pressures, especially relating to the inflationary impacts on energy and fuel costs, future pay awards to council employees, the National Living Wage uplifts and Waste pressures whilst facing the uncertainty over the impact of the Fair Funding Review (FFR).

2.9 Planning across the medium term in this way ensures that decisions can be made in the knowledge of the likely financial position of the council and provides a basis for effective decision-making taking account of the best estimates of income and expenditure.

2.10 Savings plans will continue to be developed for consideration for 2023/24 and in future years. These plans were initially developed in the context of the Recovery and Stabilisation. Unless there is a significant uplift in the level of local government financial settlements, additional savings are inevitable.

2.11 The council will be able to utilise some earmarked reserves to help balance the budgets in the short-term as a last resort whilst savings proposals are developed and or implemented. The unallocated General Fund reserves balances as at end of 2021/22 were £3.2 million.

2.12 The use of reserves to balance the budget is not a sustainable position and is only recommended where there is a need for a temporary injection of resources to allow for more sustainable budget solutions to be developed.

2.13 At this stage of the planning cycle for MTFS the following areas are presented for consideration by Cabinet:

(a) an update on the development of the 2023/24 budget since the Feb 2022 MTFS report to Cabinet;
(b) an update on the MTFS savings forecast for the period 2023/24 to 2026/27; and
(c) a review of reserves to align to MTFS risks.

2.14 The financial outlook for the council continues to be extremely challenging. Prior to the pandemic the national finances were in a reasonably healthy state for the first time in ten years. The impact of the pandemic upon the national finances however alongside the impact of the Governments response to the cost-of-living crisis is forecast to have long term impacts on the flexibility for increases in expenditure across the public sector.

2.15 Local authorities continue to lobby strongly for a long term sustainable financial settlement, but it is becoming less likely that this will occur in the short term due to ongoing uncertainty in the national finances linked to the ongoing impacts of the pandemic, Brexit, and the inflationary impact of the crisis in Ukraine.

2.16 The council will need to continually review its MTFS projections and savings requirements over the coming months in light of future announcements and as more information becomes available on the longer-term impacts of the pandemic and inflation upon the council's budgets going forward.

2.17 The assumptions underpinning the development of MTFS continue to be reviewed. This has resulted in a number of significant changes to the core assumptions for 2023/24 and in future years as well as consideration of increased costs and demand increases specifically linked to the impact of high levels of inflation. The key adjustments and major areas for consideration are detailed below:

(a) Council Tax

The Chart below demonstrates the change in Council Tax over the years. The 2023/24 position assumes 2% in Council Tax and 0.5%.

	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Council Tax	-9,492,972	-9,757,619	- 10,025,853	-10,276,499

(b) Fair Funding Review

It now appears more likely that the FFR will not be implemented until at least April 2025 and that local government will not face funding reductions, mainly due to the significant inflationary budget pressures now faced. On that basis it has been assumed that the settlement the council received in 2022/23 will be 'rolled over' into 2023/24 and that no funding reduction will be encountered in 2024/25. All of these financial planning assumptions could change in the coming months as a result of government announcements.

(c) Business Rates & Section 31 Grant

These sums have been uplifted by a 2.5%. However, should there be any additional uplifts in line with the current CPI rates of 10%, these assumptions will be updated accordingly.

	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
National Non-Domestic Rates Baseline	-3,652,186	-3,725,230	-3,799,734	-3,875,729
Business Rates Retained Growth and Renewables Disregard	-644,207	-644,207	-644,207	-644,207

(d) Pay Inflation

The 2022/23 budget includes 2.5% in the base for pay inflation. In July the Local Government Employers made an offer of a £1,925 flat increase pay offer to 'green book' employees, which represents the majority of employees in the council, is presently being considered by trade unions through a consultative ballot. If this offer is ultimately accepted and a similar pay award is agreed with non 'green book' employees also, it will cost a forecast £0.5 million more than the 2.5% budget provision in the base. The content of the current pay offer and the likelihood of ongoing higher rates of inflation have also resulted in revised assumptions in terms of pay awards in future years. The updated forecasts for the cost of future pay rises in 2023/24 and 2024/25 have been increased to 7% and 3% respectively. In total, accommodating assumed pay inflation has added £0.5m in 2022/23 and a further £0.6m in 2023/24, in total a £1.1m in base budget increase in 2023/24 making up a significant proportion of pressures in that year.

(e) National Insurance

A 1.25% increase in employers national insurance contributions was introduced in April 2022. On 23 September,2022, it was announced that this was being withdrawn from November 2022. This will produce both an in-year saving in 2022/23 (of circa £0.03 million) and a base budget reduction from 2023/24 of circa £0.08 million.

	2023/24	2024/25	2025/26	2026/27
	£	£	£	£
Pay Related costs	£1,082,874	£374,141	£319,323	£327,252

(f) Price Inflation

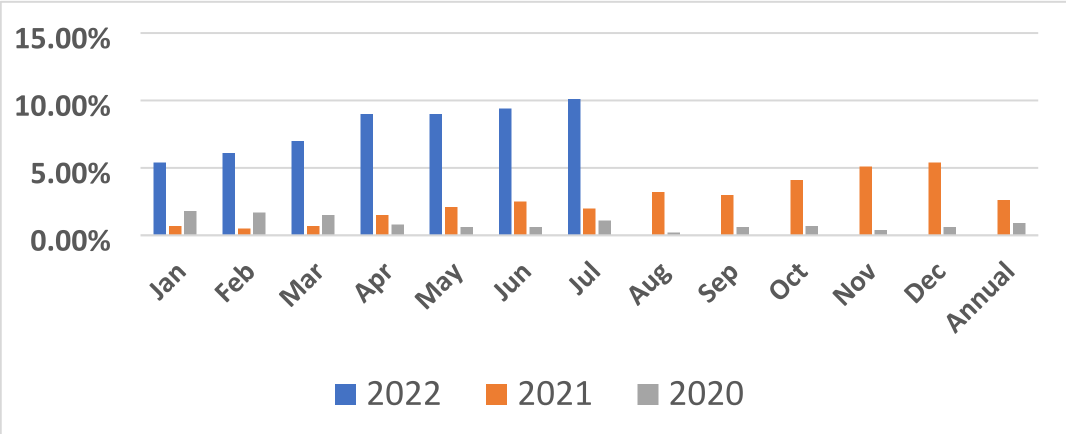
Forecasts of price inflation in 2023/24 have been increased from 3% to over 10% based upon forecast levels of price inflation next year – which has added an additional pressure into the MTFS in 2023/24. Where possible, the services are expected to absorb an element of the inflation pressures they will face in terms of supplies and services and agency and contracted services.

(g) CPI

When the budget was approved by Council in February 2022, it was set based on a number of key assumptions including pay and cost inflation. Inflation had been calculated for premises and transport related costs including utilities, business rates and fuel based on latest market intelligence and CPI forecasts from Central Government. Whilst there were concerns about the rapidly rising levels of inflation, the advice at that time indicated a short term and sharp spike rise in inflation followed by a return to previously experienced levels by early spring.

The CPI has since nearly quadrupled which when coupled with the proportion of use and demand for consumables such as utilities, fuel, goods and services has created and continues to give rise to significant budgetary concerns.

UK CPI Chart



(h) Energy Price Increases

The 2022/23 base budget included a 3% uplift in energy costs based upon forecasted inflationary increases last year. Over the last six months however, mainly driven by the conflict in Ukraine, prices have been extremely volatile and have increased significantly. In July, an additional £0.150 million increase in the 2022/23 budget provision was added to the earmarked reserves to be off set against the raising costs when required. More recently, energy prices have continued to increase significantly, mainly because of the closure of the Nord Stream gas pipeline between Russia and Europe. Gas and electricity commodity prices are presently trading at rates ten times higher than they were eighteen months ago.

On 8 September 2022 the Government announced a package of measures to cap energy costs for households and businesses, with further detail published on 22 September 2022. At the time of preparing this report more detail on how the support to businesses will work in practice was awaited. The support to business is only for an initial six months and therefore will only help alleviate some of the pressure being experienced in 2022/23 and therefore is not expected to help offset the £1.5 million of budget growth that is required in 2023/24. This position will be kept under review and forecasts amended, if necessary, as more information emerges. The MTFS forecasts assumes that prices for gas and electricity return nearer to 2020/21 budgeted levels over the following three years. There are differing views on this within the sector and within the markets and there is a risk that prices rates do not return to 2020/21 budgeted levels in future. Energy prices continue to be volatile, and this budget will continue to be closely monitored.

(i) Forecast increase in major contracts resulting from high levels of inflation

A number of the council's major contracts have annual inflationary uplift calculations built into them linked to CPI or RPI uplifts and sometimes linked to key materials inflation e.g. diesel prices. Whilst some provisional estimates have been made, these are currently under review and any changes will be incorporated in the future MTFS updates.

(j) Prudential Borrowing

Based on current interest rates and forward forecasts for the cost of borrowing, £1 million capital financing cost will fund circa £20 million of new capital expenditure. In previous MTFS planning rounds, when interest rates were lower and much more stable, £1 million of prudential borrowing provision would have serviced circa £25 million of new capital expenditure. This position may need to be reviewed in line with increases in base rates in recent months and potential for further increases, which could reduce the scope of new capital expenditure that could be funded from the prudential borrowing provision factored into the plans at present.

Pre-commitments to existing programmes and business as usual requests, together with the impact of construction price inflation are expected to result in requests for new capital expenditure exceeding capital resource availability. Capital bids are currently being finalised and careful consideration will be given to these and all other existing capital programme commitments considering the financial position the council is facing. There will undoubtedly need to be some difficult choices to be made around re-prioritising existing commitments and scaling back or increasing the pressure on the MTFS by increasing the provision for prudential borrowing, which would increase the savings targets in MTFS.

2023/24 Savings Forecast

2.18 Based upon the revised assumptions detailed in this report, the savings requirement for 2023/24 is forecast to be £1.9 million. At this point our forecasts assumes no further government support. The forecast also assumes energy prices are contained within the updated forecasts, with no additional government support.

2.19 Although the budget deficit of £1.9 million in 2023/24 is the latest forecast, it should be recognised that this figure could and will likely change before Council ultimately sets the budget in February 2023.

2.20 The MTFS forecasts continue to be predicated on a 2% council tax increase being applied in 2023/24 and across the remainder of the MTFS planning period.

2.21 Future updates of this report will provide details of additional savings plans, which will assist in closing the forecast £1.9 million shortfall next year.

2.22 If government provide additional funding to local government in the financial settlement for 2023/24, this gap could be reduced significantly. However, there is also a likelihood of further cuts to public sector spending as part of the chancellor plans to reduce his budget deficit. It is currently unclear whether and the extent to which any additional or reduction in funding will be provided. However, there is a clear risk that the gap widens if cost pressures, particularly in relation to energy, pay and contracts continue to escalate.

2.23 At this point it is likely the council would need to utilise significant levels of additional savings to balance the budget in 2023/24.

Equality Impact Assessment of the Medium Term Financial Plan

2.24 Consideration of equality analysis and impacts is an essential element that members must consider in approving the savings plans at Appendix 4. This section updates Members on the outcomes of the equality analysis of the MTFS savings proposals.

Review of Reserves

2.25 To ensure budgets can be balanced whilst clarity is provided and to provide time to work up further proposals to increase income and reduce expenditure to address the underlying budget position, a thorough review of all earmarked reserves is being undertaken. Please see Appendix C for further details.

2.26 It is important to recognise that the application of reserves to balance the budget is not a sustainable solution to the financial challenges we face. Whilst the review is undertaken and until there is greater clarity, some programmes and projects funded from a range of earmarked reserves may need to be paused at this time.

2.27 Further details of the review of reserves and the impact of redirecting these resources will be provided in the next update report.

Capital Programme

2.28 The latest Capital Investment Strategy was reported to Cabinet in February 2022, it sets out a framework for funding and investment decisions in respect of capital assets, in the context of our vision and priorities and available financial resources. The Capital Investment Strategy demonstrates that we take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability, and affordability.

2.29 It sets out the long-term context in which capital expenditure and investment decisions are made and considers the risk, reward, and impact on the achievement of the Council's priority outcomes.

2.30 When setting its capital programme, the Council takes into consideration the following:

- Service objectives – the capital spending plans should be consistent with the Corporate Plan;
- Stewardship of assets – as demonstrated by our asset management planning approach;

- The value for money offered by investment plans – as demonstrated by the appraisal of the options;
- The prudence and sustainability of investment plans – their implications for external borrowing;
- The affordability of capital investment plans – the implications for the council tax; and
- The practicality of capital expenditure plans – whether the forward plan is achievable.

2.31 Decisions on the Capital Programme have an impact on the Revenue Budget, in relation to:

- The revenue costs of financing capital, including prudential borrowing; and
- The ongoing running costs and/or income generated by new capital assets such as buildings. Capital investment decisions therefore have implications for the Revenue Budget.

2.32 The revenue costs over the lifetime of each proposed capital project are considered when the project is being developed to ensure that the impact can be incorporated within our financial plans and to demonstrate that the capital investment is affordable. Our revenue and capital budgets are integrated with the financial impact of the proposed Capital Programme, being reflected in the Revenue Budget estimates.

2.33 The Council will only invest where capital spending plans are affordable, prudent, and sustainable. The key constraint on capital investment is the scope to afford the financial implications in terms of acceptable council tax levels. As supported by the Capital Investment Strategy, the Council's capital investment plans over the next 4 years are set out in the Capital Programme.

2.34 The efficient and effective use of capital resources, including sound asset management, is fundamental to achieving our long- and medium-term aims and objectives. It is also critical to achieving the delivery of the required savings and income across the Council to secure a balanced budget.

2.35 The Council's Capital and Investment Strategy is reviewed and reported to Full Council on an annual basis to reflect the changing needs and priorities of the Council including residents, businesses, and places.

Medium Term Capital Programme

2.36 While Revenue Budget expenditure is concerned with the day-to-day running of services our Capital Programme is concerned with investment in the assets required to deliver services or delivery new income streams. The Medium-Term Capital Programme sets out how capital resources will be used to achieve the Council's vision and corporate priorities.

2.37 The Council must have an affordable Capital Programme; affordability is assessed against business cases considering the level of future resources required to support project delivery and ongoing asset maintenance.

2.38 The strategic objectives of our Capital Programme can be summarised as follows:

- To maintain a four-year rolling Capital Programme which remains within the approved affordable, sustainable, and prudential limits;
- To ensure capital resources are aligned with our strategic vision and corporate priorities by ensuring all schemes are prioritised according to the Council's prioritisation methodology;
  To identify opportunities for investment in new schemes that result in capital growth and/or new revenue income streams;
  To maximise available resources by actively seeking external funding to support Council priorities and disposing of surplus assets; and
- To use internal resources alongside external resources where appropriate to support the Capital Programme and minimise any borrowing costs.
- That decisions on the financing of the capital programme are taken with consideration to the impact on the revenue budget, the treasury management strategy, and the investment strategy.

Capital Programme 2022/23 to 2026/27

2.39 The Council forecasts its Capital Programme over a 4-year period and the latest position is set out in Appendix D.

Capital Programme -Revenue Budget Implications

2.40 With the exception of earmarked s106 funds, the Council do not have significant capital reserves, therefore, while a small number of schemes will be continued to be funded from capital grants and other contributions, the majority of the approved Capital Programme might be funded through prudential borrowing.

2.41 The costs of repaying this borrowing fall on the revenue budget as treasury management costs in Central budgets. Treasury management budgets have been updated to reflect the costs of borrowing for the approved Capital Programme for 2022/23 onwards net of interest on forecast balances and company loan repayments.

Capital Programme Oversight Board

2.42 A Capital Programme Oversight Board (CPOB) has been established to provide strategic direction, oversight and corporate assurance for the General Fund capital programme and Housing Revenue Account (HRA) Business Plan across Council. The CPOB will be responsible for addressing programme issues, reviewing risk and financial implications, driving through the Assurance Review recommendations in respect of the capital programme and move towards a fully sustainable capital programme and asset release.

CPOB Responsibilities are to:

2.43
- Be responsible and accountable for feeding into the annual Service & Financial Planning process;

- Establish and embed a robust and effective governance framework through which all Councils capital projects will be evaluated, prioritised for development and delivery, subject to Member approval;
- Provide oversight of the capital programme and the Housing Revenue Account (HRA) Business Plan;
- Agree recommendations to relevant Committee(s), as required, to ensure the programme achieves its objectives in-line with initial proposals, Business Cases and assessed options appraisals;
- Scrutinise and challenge programmes and projects at a strategic level in relation to budgets, actual spend, timing, and overall financial strategy;
- Monitor the achievement of the capital programme's core aims and objectives;
- Monitor the HRA Business Plan assumptions in line with Section 76 of the Local Government and Housing Act 1989;
- Monitor the critical path for delivery across the capital programme and take timely decisions as the capital programme evolves, while ensuring that the capital programme is delivered in a joined-up way across Council departments.
- Assist with resolving issues across Council departments while ensuring appropriate resources, capacity and capability are in place to deliver the capital programme and where necessary, commit resources as required;
- Ensure risks are being effectively managed and updated, and mitigations are identified appropriately required.

3 Conclusion

3.1 The council continues to face significant financial uncertainty for the MTFS planning period, covering the financial years 2023/24 to 2026/27. The uncertainty relating to future government financial settlements is exacerbated by the ongoing impact of the pandemic alongside increases in base budget pressures from inflation, national living wage, and waste services.

3.2 The MTFS forecasts at this stage would indicate a significant budget gap next year and the need for additional savings to be identified for 2023/24. The council may therefore be in the unenviable position of having to potentially utilise some reserves to balance its budget next year.

3.3 The application of reserves to balance the budget is not a sustainable solution to the financial challenges we face. Whilst the review is undertaken and until there is greater clarity, the programmes and projects funded from a range of earmarked reserves will need to be paused at this time.

3.4 Planning will continue in relation to the identification of further savings to enable future years budgets to be balanced, which alongside the review of reserves currently underway will ensure the council is well placed to respond to the financial forecasts as they are firmed up over the coming months.

3.5 The Earmarked and General Reserves at the end of 2022/23 is forecast to be circa £10.5 million. This reserve needs replenishing. Further details of the review of reserves and the impact of redirecting these resources will be provided in the next MTFS update report.

4 Financial appraisal

4.1 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2023. This report will be based on a detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

5 Legal implications

5.1 Section 151 of the Local Government Act 1972 requires that every local authority decide for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.

5.2 Sections 42A of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.

5.3 The Chief Finance Officer, appointed under section 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

6 Risk management implications

6.1 An analysis of risks associated with the MTFS and mitigating actions will be provided in the next MTFS update.

7 Equality analysis

7.1 The equality implications of any individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

8 Appendices

Appendix A - Budget Summary and Key Assumptions
Appendix B - Budget Summary by Directorates
Appendix C - Reserves
Appendix D - Capital Programme

9 Background papers

The background papers used in compiling this report were as follows:

- Local Government Finance Act 1992
- Welfare Reform Act 2012
- The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations (as amended)
- The Impacts of Localised Council Tax Support Schemes – Institute for Fiscal Studies Report January 2019