

FOR PUBLICATION**DERBYSHIRE COUNTY COUNCIL****AUDIT COMMITTEE****TUESDAY, 5 DECEMBER 2023****Report of the Director - Finance and ICT****Production of the 2024/25 Revenue Budget****1. Purpose**

- 1.1 To update the Audit Committee on the timetable for the Council's 2024-25 budget preparation and procedures and the associated consultation arrangements.

2. Information and Analysis**Background**

- 2.1 The budget for 2023-24 was set against a period of economic uncertainty, high inflation and the continuing growth of demand for Council services particularly in respect of Social Care.
- 2.2 During 2023-24 the Council's financial position has remained challenging with the Q2 revenue monitoring report forecasting an overspend of almost £33m (£46m at Q1).
- 2.3 In September 2023, in recognition of the Council's revenue forecast, it announced a series of financial controls including vacancy management and tight control over non-essential spend to improve the projected outturn position. These controls remain in place.

Preparation of Budget 2024-25

- 1.1 The production of the Council's budget is undertaken in accordance with the requirements of the Council's Constitution. The Constitution requires that a timetable is publicised by Cabinet for making proposals to the full Council in relation to the annual Revenue Budget, along with arrangements for consultation with stakeholders, which should be for a

period of not less than six weeks. The proposed timetable is attached at Appendix 2.

1.2 A key element of the Council's budget setting process is consultation with stakeholders.

1.3 It is proposed to undertake the following consultation activities:

- The annual online "Your Council, Your Voice Survey", which will be available in hard copy on request. The consultation will run for six weeks from 6 November 2023 to 17 December 2023. The survey will build on previous surveys which have been undertaken over the last three years, combining both budget and residents' consultation and enabling the tracking of residents' perception on a range of key issues.
- Following Cabinet consideration a detailed consultation will be issued on savings options and other material aspects of the budget.
- Statutory consultation with business ratepayers, corresponding with representatives of the East Midlands Chamber of Commerce, the Confederation of British Industry (CBI) East Midlands and the Nottinghamshire and Derbyshire Federation of Small Businesses (FSB) on the Council's budget proposals. The Council will write to the above consultees in January in accordance with established practice.
- Consultation with the trade unions at a Corporate Joint Committee –
- Consultation with the Council's Improvement and Scrutiny Committee-Resources.

1.4 Specific savings proposals are currently being considered with a view to presenting these at the Cabinet meeting on the 11 January 2024 in relation to the content of the 2024/25 budget. Any individual savings proposals will require specific Cabinet approval along with permission to launch any consultation process. This will be upon full consideration of the outcome of the Your Council Your Voice survey and the consultation processes listed at para 2.6, along with any Equality Impact Assessment to assist Cabinet in making any decisions on changes to services and the delivery of savings.

1.5 As in previous years, an initial Equality Impact Assessment (EIA) will be undertaken at a corporate level. It is anticipated that this corporate assessment will help identify areas where there is a significant risk of adverse impact which would then be subject to a full equality impact assessment process. Alongside the budget consultation, the budget saving proposals in the updated Five Year Financial Plan will be considered to assess which proposals will need a separate targeted consultation with staff, the public and/or with current/potential service

users. The outcomes of these processes will be reported to Council/Cabinet as part of the budget process and specific assessments/consultation outcomes reported to Cabinet before decisions are made on individual services.

Alignment with Strategic Objectives

- 1.6 Work has taken place over the Summer and Autumn 2023 to ensure that draft budget proposals align with Council Plan Strategic Objectives.

Five Year Financial Plan

- 1.7 The Council's Five Year Financial Plan 2023-24 to 2025-26 (FYFP) w being updated during 2023-24.
- 1.8 The FYFP will be updated again as part of the budget setting process, to reflect the Government's Autumn Statement and the Provisional Local Government Finance Settlement. Although the quantum of grant allocations for 2024-25 was confirmed as part of the Autumn Statement 2022 announcements, detailed allocations were not confirmed. Announcements are expected in December 2023.

Reserves

- 1.9 The Council has in place a Reserves Policy, which sets out the framework within which decisions will be made regarding the level of reserves. In line with this framework, the balance and level of reserves over the medium term are regularly monitored, to ensure they are adequate to manage the risk of the Council. This covers both the General and Earmarked Reserves. review of the Earmarked Reserves Position is being undertaken and the results will be included in a report to Cabinet in February 2024.

3. Consultation

- 3.1 Budget consultation proposals are included in Section 2 of the report

4. Alternative Options Considered

- 4.1 Do nothing – the Council is required to outline its budget preparation timetable each year. Not doing this would be contra to Appendix 7 of the Council's Constitution – Budget and Policy Framework Procedure Rules, which requires that Cabinet will publicise a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms part of the budget and policy framework, and its arrangements for consultation after publication of those initial proposals. The consultation period shall in each instance be not less than six weeks

5. Implications

- 5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

- 6.1 None identified.

7. Appendices

- 7.1 Appendix 1 – Implications
7.2 Appendix 2 – Budget Timetable

8. Recommendation(s)

That Committee:

- a) Notes the proposed timetable and arrangements for consultation.
- b) Notes the proposals for reviewing and updating the Five Year Financial Plan.
- c) Notes the arrangements for reviewing Earmarked Reserves and updating the General Reserve projections.

9. Reasons for Recommendation(s)

- 1.1 The Council's Constitution contains Budget and Policy Framework Procedure Rules, which must be followed when the Council sets its budget. These require that Cabinet will publicise a timetable for making proposals to the Council for the adoption of any plan, strategy or budget that forms part of the budget and policy framework, and its arrangements for consultation after publication of those initial proposals. Cabinet must propose a budget by early February to allow the Council, should it so wish, to raise objections and refer the budget proposals back to Cabinet for further consideration, allowing time to finalise the precepts before 1 March.
- 1.2 When setting the budget, the Council must be mindful of the potential impact on service users. The consultation activities which are proposed in the preparation of the 2024-25 budget are relevant in this respect.
- 1.3 Section 149 of the Equality Act 2010 imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation). The high-level initial Equality Impact Assessment (EIA)

which will be undertaken at a corporate level will help identify areas where there is a significant risk of adverse impact which would then be subject to a full equality impact assessment process.

- 1.4 The Council is responsible for approving the Five Year Financial Plan proposed by Cabinet.
- 1.5 Section 43 of the Local Government Finance Act 1992 requires precepting authorities in England and Wales to assess the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

Report David Catlow,
Author: Heather Green,
Samuel Holmes,
Eleanor Scriven

Contact David.Catlow@derbyshire.gov.uk,
details: Heather.Green@derbyshire.gov.uk,
Samuel.Holmes@derbyshire.gov.uk,
Eleanor.Scriven@derbyshire.gov.uk

Implications

1) Financial

- 1.1 The report sets out the timetable for Budget Preparation 2024-25.

2) Legal

- 2.1 Under section 65 of the Local Government Finance Act 1992, as a major precepting authority, the Council has a statutory duty to consult ratepayer representatives on its annual expenditure proposals, ahead of setting its budget. Certain prescribed information must be sent to the persons the Council proposes to consult as soon as practicable and, in any event, not later than 15 February by virtue of the Non-Domestic Ratepayer (Consultation) Regulations 1992.
- 2.2 The Council also has a statutory duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness and when determining how to discharge this duty has to consult representatives of a wide range of local persons.
- 2.3 In performing these statutory duties the Council must have regard to statutory guidance issued by the Secretary of State.
- 2.4 The obligations set out in the Budget and Policy Framework included in the Constitution are as outlined in the body of the report.
- 2.5 Case law has established minimum requirements of consultation, which are:
- Consultation must be at a time when proposals are at a formative stage.
 - Sufficient information must be given to permit a person to “give an intelligent consideration and response”.
 - Adequate time must be given for consideration and response.
 - The results of the consultation must be conscientiously taken into account in finalising any proposal and provided to the decision maker to inform their decision.

- 2.6 The type and extent of consultation must be proportionate to the potential impact of the proposals. The consultation exercise will be conducted in a timely fashion to enable sufficient time for the budget to be approved by Cabinet and Council in accordance with the timescales set out in the report.
- 2.7 The proposals set out in the report meets the necessary legislative and Constitutional requirements.
- 2.8 By law the Council must set and deliver a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However, a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.
- 2.9 By virtue of section 114(3) of the Local Government Finance Act 1988, the Chief Finance Officer is required to issue a report where he considers that the expenditure to be incurred by the Council during a financial year is likely to exceed the available resources. The issue of a section 114(3) report would trigger a short term statutory prohibition on entering into 'any new agreement which may involve the incurring of expenditure' without the permission of the Chief Finance Officer.

3) Human Resources

- 3.1 None.

4) Information Technology

- 4.1 None.

5) Equalities Impact

- 5.1 An initial Equality Analysis will be carried out in relation to the Council's proposed Revenue Budget Report 2024-25. This outlines the overall likely impacts upon the different protected characteristic groups and is based on those areas which have been identified for savings. It also reflects upon the ongoing work to develop cumulative impact analysis and to consider the linkages between the Council's budget savings and those being made elsewhere in Government and by public sector partners.

5.2 Increasingly budget savings are resulting in reductions or changes to frontline services, which directly affect the people of Derbyshire. In particular, they are likely to pose a potential adverse impact for some older people, disabled people, children and younger people and families. In part this is because many of the Council's services are targeted at these groups and these services command the largest parts of the Council's budget. At the same time, other national and local changes are also likely to continue to affect these groups in particular. As indicated above, an initial budget Equality Analysis will be carried out. As explained above, this assessment helps identify areas where there is a significant risk of adverse impact which would then be subject to a full equality impact assessment process prior to Cabinet decisions on individual services.

5.3 Also as outlined in the body of the report.

6) Corporate objectives and priorities for change

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring that it sets a balanced budget over the medium-term, therefore ensuring good financial management and use of reserve balances to meet the costs of any unforeseeable events arising from the pandemic.

7) Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

Budget Preparation Timetable

September 2023	<p>Consideration of: priorities for 2024-25 Revenue and Capital spending defined by Strategic Objectives; budget savings options; budget pressures and risks facing the Council:</p> <p>Receipt of all 2024-25 departmental Revenue and Capital budget pressure bids and savings proposals and review by Director of Finance & ICT and Managing Director, further consideration by CMT and consultation with Cabinet.</p> <p>Finance revisit assumptions and growth items already included in the 2024-25 Revenue Budget.</p> <p>Reporting of an assessment of how costs associated with the budget pressures approved as part of the setting of the 2023-24 Revenue Budget compare to forecast/actual will be included in the first quarter budget monitoring reports.</p> <p>Earmarked Reserves review work begins with Executive Directors and Finance.</p>
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November – December 2023	Public residents' satisfaction survey "Your Council, Your Voice Survey 2023".
November 2023	Review of Earmarked Reserves meetings with Council Leader, Cabinet Members, Managing Director, Executive Directors and Director of Finance & ICT.
November 2023	Analysis of the Government's Autumn Statement (Due 22 November 2023).
December 2023	Improvement and Scrutiny Committee consultation. Government announces details of Provisional Local Government Finance Settlement (date to be confirmed).
January 2024	Trade Unions consultation. Business Ratepayers consultation. Final budget proposals drafted. Budget briefings for political groups and members, as required.

January 2024	Following Cabinet consideration a detailed consultation will be issued on savings options and other material aspects of the budget.
15 January 2024	Deadline for Council Tax collection fund submissions to the Council by district/borough councils.
31 January 2024	Deadline for Council Tax taxbase and Business Rates submissions to the Council by district/borough councils.
January 2024	Council Tax taxbase to be approved by the S151 Officer.

Appendix 2

1 February 2024	Recommendation of the final budget by Cabinet - Cabinet considers report on final revenue/capital settlements, results of consultation/budget priorities, budget savings options, budget pressures, reserves position and Five Year Financial Plan and determines budgets and Council Tax recommendations to Full Council.
February 2024	Government announces details of Final Local Government Finance Settlement (date to be confirmed).
14 February 2024	Council set the final budget envelope (statutory determinations) and Council Tax - Council debates Cabinet recommendations/ results of consultation and determines Revenue/Capital Budgets, including savings options and budget pressures and Council Tax level for 2024-25.
1 March 2024	Notification of precepts to district/borough councils.

* Dates in bold are statutory deadlines.