

**Medium Term Financial Plan(13), 2023/24 – 2026/27
Scrutiny Role in Development of Savings Options**

Paul Darby, Corporate Director of Resources

Councillor Richard Bell, Deputy Leader and Portfolio Holder for Finance

Purpose of the Report

- 1 To provide an update on the development of the 2023/24 budget and the Medium Term Financial Plan (MTFP(13)), the consultation process with Corporate Overview Scrutiny Management Board (COSMB) and role for thematic scrutiny committees to consider options for efficiency savings and income generation opportunities in their service areas to support the budget.

Executive Summary

- 2 The Council is continuing to operate in a period of significant financial uncertainty brought about by a combination of the ongoing impact of the pandemic, our inherent low tax raising capacity due to our low tax base, and significant budget pressures in social care brought about by National Living Wage increases and enduring demographic pressures in Childrens Social Care and in waste services. The financial outlook for the Council will continue to be extremely challenging for the foreseeable future.
- 3 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 for local authorities.
- 4 This level of uncertainty is making financial planning extremely challenging and requires the council to be flexible and adaptable in its financial planning. In this regard the strong financial position of the council will ensure that the council is well placed to react effectively to any outcome.
- 5 As we start to consider the budget plans for 2023/24, in line with previous practice, the MTFP Model is being reviewed and the financial forecasts for the next four years updated. This position will be reported to Cabinet on 13

July. The last MTFP update report was the 23 February 2022 Council budget report where the forecast at that time was for a £16.607 million budget shortfall in 2023/24 with a £29.987 million shortfall over the period to 2025/26

- 6 The achievement of an additional £29.987 million of savings would be extremely challenging and should not be under-estimated – more so given the savings that the council has been required to achieve in the last ten 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 from charging. This is becoming much more difficult however, as the scope for further savings in managerial and back office efficiencies is becoming exhausted following the delivery of £250 million of savings up to 31 March 2023.
- 7 Savings plans will need to be developed for consideration for 2023/24 and in future years. Having plans in place will enable the council to react to the outcome of the 2023/24 local government finance settlement, which is expected to be announced in December 2022.
- 8 COSMB will continue to have an important role in reviewing the overarching MTFP(13) process. In addition however it is recommended that the thematic scrutiny committees have a role in developing options for efficiency savings and income generation options in their respective service/functional areas.
- 9 In this regard thematic scrutiny committees will consider the optimum approach to developing options, with the ability to set up task and finish groups or using the full committee membership to assess and analyse options. Thematic scrutiny committees will need support from service managers and finance to ensure that the required level of information is provided to enable the development of options to be carried out effectively.

Recommendations

- 10 COSMB is asked to:
 - (a) note the ongoing overarching role of COSMB in reviewing and assessing the councils approach to the development of MTFP(13);
 - (b) note the role for thematic scrutiny committees in developing options for efficiency savings or income generation opportunities which could contribute to closing the forecast £29.987 million savings shortfall across the MTFP(13) period;

Background

- 11 To ensure the 2023/24 budget and MTFP(13) 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.
- 12 The council is committed to strong financial governance and getting value for money whilst ensuring that any council tax increases are justified and affordable.
- 13 The current MTFP(12) forecast that the Council agreed on 23 February 2022 covers the four year period 2022/23 to 2025/26. This report covers the MTFP(13) four year planning period 2023/24 to 2026/27.
- 14 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 impacts, the National Living Wage uplifts, Social Care and Waste pressures whilst facing the uncertainty over the impact of the FFR and future pay awards.
- 15 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.
- 16 Savings plans will need to be developed for consideration for 2023/24 and in future years. Having plans in place will enable the council to react to the outcome of the 2023/24 local government finance settlement, which is expected to be announced in December 2022.

MTFP(13) Timetable

- 17 A high level timetable up to Budget setting in February 2023 is detailed below. This timetable details the continuing role for COSMB in reviewing the council approach to the development of MTFP(13):

Date	Action
13 July 2022	MTFP(13) update and LCTRS Review report to Cabinet
September 2022	Corporate Overview and Scrutiny Management Board consider 13 July Cabinet Report
12 October 2022	MTFP update Report to Cabinet

Date	Action
October/November 2022	Corporate Overview and Scrutiny Management Board consider 12 October Cabinet Report. Consultation on 2023/24 Budget and MTFP(13)
14 December 2022	MTFP report to Cabinet – outcome of Budget Consultation
December 2022	Corporate Overview and Scrutiny Management Board consider 14 December Cabinet Report
18 January 2022	MTFP report to Cabinet – analysis of provisional local government settlement
January 2023	Corporate Overview and Scrutiny Management Board consider 18 January Cabinet Report
8 February 2023	Budget Report to Cabinet
February 2023	Corporate Overview and Scrutiny Management Board consider 8 February Cabinet Report
22 February 2023	Council Budget and MTFP report

Proposed Consultation Programme

- 18 Based on the best practice that has developed over previous consultations, it is once again proposed that we consult using our existing County Durham Partnership networks during October and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.
- 19 In addition, thematic Scrutiny Committees are being tasked with identifying options for efficiency savings and increased income in their service areas, the outcome of which will inform the Cabinets MTFP(13) deliberations. It is hoped any savings identified and supported by Cabinet will be able to support the 2023/24 and future years budgets. The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(13) and budget setting process as usual.
- 20 It is recognised that the role for thematic scrutiny committees is a new development which will need supporting by service managers and finance. Each thematic scrutiny committee can determine their favoured approach to

determine which functional areas they wish to review and how they wish to progress the process.

- 21 It is hoped that options can be developed which could be provided to Cabinet for consideration by the end of 2022 although it is recognised some reviews may take a little longer but could support the future MTFP.

Conclusion

- 84 The council continues to face significant financial uncertainty for the MTFP(13) 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, social care and waste disposal.
- 85 Planning is continuing in relation to the identification of savings to enable future years budgets to be balanced. In this regard it is recommended that thematic scrutiny committees consider options for efficiency savings and income generation opportunities in their service areas which can be recommended to Cabinet for inclusion in MTFP(13).

Background papers

- 23 February 2022 Council Budget Report

Author(s)

Jeff Garfoot

Tel: 03000 261946

Appendix 1: Implications

Legal Implications

The council has a statutory responsibility to set a balanced budget for 2023/24. It also has a fiduciary duty not to waste public resources.

Finance

The report highlights that at this stage £16.607 million of savings are required to balance the 2023/24 budget with £29.907 million across the next three years. Work will continue over the coming months to identify savings to balance the budget across the MTFP(13) period.

Consultation

Consultation on the 2023/24 budget and MTFP(13) will include engagement via existing County Durham Partnership networks during October and November. This will include the fourteen Area Action Partnerships (AAPs) and the thematic partnerships that support the County Durham Partnership. Additional work will be undertaken with special interest groups and there will be an opportunity for residents to respond electronically via the council's website which will be promoted through the council's presence on various social media platforms.

The thematic Scrutiny Committees are also being tasked with identifying options for efficiency savings and increased income in their service areas, the outcome of which will inform the Cabinets MTFP(13) deliberations. The Corporate Overview and Scrutiny Management Board will provide scrutiny of the MTFP(13) and budget setting process.

Equality and Diversity / Public Sector Equality Duty

Under section 149 of the Equality Act 2010 all public authorities must, in the exercise of their functions, "have due regard to the need to" eliminate conduct that is prohibited by the Act. Such conduct includes discrimination, harassment and victimisation related to protected characteristics but also requires public authorities to have due regard to the need to advance equality of opportunity and foster good relations between persons who share a "relevant protected characteristic" and persons who do not. This means consideration of equality analysis and impacts is an essential element that Members must take into account when considering these savings proposals.

Climate Change

The council budget will be developed to provide resource to enable the council to meet the requirements set out in the council's Climate Change Emergency Response Plan.

Human Rights

Any human rights issues will be considered for all proposals agreed as part of MTFP(13).

Crime and Disorder

None

Staffing

The impact of the MTFP upon staffing will need to be considered in the development of savings plans.

Accommodation

None

Risk

A robust approach to Risk Assessment across the MTFP process will be followed especially in relation to any individual risk assessments of savings plans.

Procurement

None

