

CABINET

23 July 2024

Title: General Fund MTFS Update and Budget Strategy 2025/26 - 2027/28	
Report of the Cabinet Member for Finance, Growth and Core Services	
Open Report	For Decision
Wards Affected: All	Key Decision: Yes
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Summary	
<p>The Council's Medium Term Financial Strategy (MTFS) was last presented to Assembly in February 2024 and this report provides an update to Members on the Council's MTFS position for 2025/26 to 27/28 taking into account any known changes to assumptions and forecasts since that date.</p> <p>The first monitoring of the new financial year 2024/25 at Period 2 (May 2024) is a separate agenda item and should be considered in the context of this report. The Period 2 monitoring indicates a forecast break-even position.</p> <p>It should be noted that the updated MTFS in this report does not include this forecast overspend as a permanent pressure as yet. The Council's constitution requires Strategic Directors to deliver services within their approved and agreed budget envelope and therefore mitigating actions are currently being considered to reduce the forecast 2024/25 pressures. However, the impact of these mitigations will need to be closely monitored during the year.</p> <p>The MTFS presented to Assembly in February 2024 highlighted a budget gap for 2025/26 of £11.69m. The latest MTFS forecasts now indicate a gap of £25.9m for 2025/26 rising to £29.9m in 2027/28. Details of the reasons behind this increase of £14.2m for 2025/26 are set out in this report.</p> <p>The Council uses advisers to forecast levels of core funding arising from the Local Government Finance Settlement and certain assumptions that were modelled in the previous MTFS have now changed. Whilst the change in government may have an impact on local government funding over the medium term, their current view is that there is unlikely to be any substantial change in the approach to the LG Government Settlement for 2025/26. However, this could change.</p> <p>Other wider economic factors such as inflation and interest rates will have an impact on the Council's overall budget for the next financial year and there is still a degree of uncertainty around the likely levels and therefore the financial impact. Sensitivity analysis will be carried out in formulating the draft 2025/26 budget for consideration and consultation.</p>	

In considering the Council's overall financial resilience and sustainability, the level of usable General Fund reserves is an important factor when assessing the level of financial risk that the Council is facing. These have significantly reduced in recent years and careful consideration will need to be given as to whether these are now at a level which is sufficient for the financial risks that the Council is facing.

Given the forecast financial position and the lower level of usable General Fund reserves, it is important that a **Budget Strategy** is approved which provides an overarching framework and guiding principles that will be adopted in setting the budget for the next financial year and beyond. This report proposes those principles.

The HRA 30-year business plan was presented to Cabinet earlier in the calendar year and this is subject to further reviews this year and updates will be presented as appropriate.

Recommendation(s)

The Cabinet is recommended to:

- (i) Note the latest MTFFS projections and forecast budget gap for 2025/26 of £25.9m;
- (ii) Note the assumptions set out in the report underlying those forecasts as well as the financial risks and uncertainties;
- (iii) Note the outline budget setting timetable for 2025/26 as set out in section 10 of the report; and
- (iv) Consider and approve the Budget Strategy and approach to setting the 2025/26 budget as set out in section 9 of the report.

Reason(s)

The setting of a robust and balanced Medium Term Financial Strategy will enable the Council to provide and deliver services within its overall corporate and financial planning framework. The Medium Term Financial Strategy underpins the delivery of the Council's vision of One borough; one community; no one left behind and delivery of the priorities within available resources.

1. Introduction and Background

- 1.1 In considering the Council's medium-term financial position and future financial sustainability, as well as the ability to set a balanced budget as required by law, it is also important that financial resources are allocated in a way that underpins the delivery of the corporate strategy.
- 1.2 The Council's vision is "to make Barking & Dagenham the place where people are proud of and want to live, work, study and stay". This vision is underpinned by the LBBB Corporate Plan with seven key priorities so that Residents:

- Are supported during the current cost-of-living crisis;
- Are safe, protected and supported at their most vulnerable;
- Live happier, healthier, independent lives for longer;
- Benefit from inclusive growth and regeneration;
- Live in, and play a greater part in creating, safer, cleaner and greener neighbourhoods;
- Live in good housing and avoid becoming homeless.

- 1.3 Financial sustainability will be key to delivering these priorities and therefore it is important that the Council undertakes robust financial planning, identifies and quantifies the financial risks that it may be facing and is clear about how it will manage those risks.
- 1.4 The Council's financial position can be greatly impacted by wider macroeconomic factors such as inflation and interest rates and by changes in government policy and funding. The Council uses advisors to assist with the modelling of core income and with predictions of inflation and interest rates and their advice is incorporated in the relevant sections of this report.
- 1.5 Whilst the change in government could have a positive impact for funding of local authorities, it remains unclear at this point as to which policies may be affected and how funding may change. A widely held view currently is that there is unlikely to be any significant permanent changes to funding for the 2025/26 financial year. It is hoped that one-off funding may be available to temporarily address the current disconnect with "need" but there is no guarantee. Therefore, the latest MTFs, as presented in this report currently assumes no significant changes to government funding for the next financial year.
- 1.6 The budget report approved in February 2024, including the Council's S151 Officer's assurance statement, highlighted the key financial risks that Barking & Dagenham is facing over the medium-term and these remain largely unchanged. However, the report referenced various strands of work that would be undertaken to seek to provide clarity over those risks and more accurate quantification.
- 1.7 The Council is facing many of the significant financial risks that other London boroughs are facing such as demand for services outstripping resources available. For Barking & Dagenham, the first monitoring of the new financial year is already forecasting a potential overspend, despite significant budget growth being approved for 2024/25. At Period 2 a pressure of almost £8.9m is forecast in adults and children's social care services. Whilst mitigating actions are being developed and implemented to control this spend there is a real risk that these demand pressures, as well as savings required, will not be containable and/or deliverable.
- 1.8 However, it is more important this year than ever, that a balanced budget is achieved. The Council's reserves are discussed in more detail in section 8 but there has been a heavy reliance on reserves to balance this, and previous years' budgets, with the result that these have been significantly depleted. The S151 Officer will need to give careful consideration of the adequacy of those reserves in their assurance statement to accompany the final budget setting report for 2025/26.
- 1.9 For this reason, the Council will be actively lobbying the new government to provide additional funding specifically for social care which genuinely addresses need and

is not based on a generic, one-size-fits-all funding approach. The ongoing level of demand in the borough, particularly in relation to working age adults with learning disabilities is acute, without adequate levels of commensurate funding.

- 1.10 There are also specific risks for B&D which are important to highlight again and where further work has now been undertaken and where there has been some movement in those risk assessments.
- 1.11 The February 2024 report highlighted that external advisors would be used to undertake a review of the Investment & Acquisition Strategy (IAS) asset portfolio to assess the future financial performance and to develop a de-risking strategy should that be required. This work is well underway and should be concluded by the end of July 2024. The Council's base budgets do include a core budget for an overall return on the IAS and an assessment will be made as to whether there is any risk to the achievement of this over the medium-term. Consideration will also be given as to whether there is any risk of the borrowing costs associated with the IAS being unable to be serviced.
- 1.12 The IAS also exposes the Council to significant development risk and a number of the approved schemes which are under construction carry a significant amount of financial risk. The delivery of viable schemes relies on affordable interest rates, grant funds and right-to-buy receipts. Change in government, monetary or economic policy could directly impact these schemes. The interest rate outlook is discussed in section 3 below.
- 1.13 As highlighted in the February 2024 report, there was a risk that the £10.3m of dividend income from the Council's regeneration subsidiary, Be First, will be unlikely to be achievable on ongoing basis unless there is a significant change in the economy (e.g. lower interest rates) and development activity. A review of the Council's regeneration subsidiary has concluded that it would be prudent to conclude at this stage that the dividend will not be payable over the MTFS period. Therefore, the associated income budget has been removed from the Council's base budgets and forms a large part of the £14.2m increase the budget gap for 2025/26. This will be monitored closely over the MTFS and reported if this were to change.
- 1.14 Once the outcomes of the review of the IAS are known it may be possible that this loss of dividend could be partly funded from a drawdown on the IAS reserves for 2025/26, but this will be dependent on the level of financial risks that the IAS is facing over the medium-term and the degree of certainty in the forecasts.

2. MTFS 2025/26 to 2027/28

- 2.1 The Council's MTFS was last presented to Assembly in February 2024 and included projections for the 2025/26 financial year based on assumptions at that time and financial risks associated with those forecasts.
- 2.2 Since that report the Council's provisional outturn for 2023/24 was presented to Cabinet on 18 June 2024 and the first budget monitoring report for the 2024/25 year (Period 2) has been concluded and is presented under a separate agenda item. These reports should be considered in the context of the Council's overall financial position.

- 2.3 The refreshed MTFS now shows a budget gap of £25.9m for 2025/26 compared to £11.69m in February 2024 and this can be broken down as £15.6m for the Council's core pressure and £10.3m to address the BeFirst dividend income budget. This increase of £14.2m has arisen from revisions to assumptions in respect of core grant and other income, pay award inflation and removal of the dividend income budget. Table 1 below shows the reconciliation of the cumulative MTFS gaps from the Assembly February 2024 report to the latest forecast position.

Table 1 – Reconciliation from Assembly February 2024 position

	2025/26 £m	2026/27 £m
Cumulative Gap Reported Feb Assembly	11.693	17.317
Change in Core Funding	2.461	(1.800)
Remove Be First Dividend	10.390	10.390
Increase in Pay Award Assumption	1.402	1.601
Revised Gap	25.946	27.508

- 2.4 In assessing the Council's ability to set a balanced budget and overall financial sustainability it is important to consider the level of financial risk that the Council is exposed, the impact of those risks and whether there are robust plans in place to manage those risks should they crystallise.
- 2.5 Members should note that this year's budget for 2024/25 as approved in February, contained a budget gap of £8.9m for which permanent savings would need to be found. The £8.9m is included in the latest forecast gap for 2025/26 as presented in this report and is not additional.
- 2.6 As set out in the Treasury Statutory Outturn report for 2023/24, the Council's IAS portfolio has suffered from a deterioration in financial performance for a number of reasons. At the time of writing this report, the Council has commissioned Ernst & Young to carry out a review of this portfolio which will include validating future financial projections. Outcomes from this work could further impact on the Council's MTFS position.
- 2.7 A number of strategic reviews of the Council's subsidiary companies have been carried out or are underway. The Council's subsidiaries have a number of impacts on the Council's finances either by way of dividend returns, services supplied to and from, working capital loans and on-lending as well as the potential for equity cash injections.
- 2.8 The table below sets out the latest MTFS position which can be compared to Appendix B of the February 2024 Assembly budget report.

Table 2 – MTFP Latest forecast financial position

	2025/26 Forecast £'m	2026/27 Forecast £'m	2027/28 Forecast £'m
Net Cost of Services	221.745	245.780	259.016
Changes to Prior Year Budget			
Savings - Existing (Feb 2024)	(1.098)	(0.984)	
Pre-agreed Growth (Feb 2024)	4.643	5.220	
Savings- New			
Growth - New			
Inflation	10.100	9.000	9.250
Removal of Be First Dividend from base Budget	10.390		
Net Budget Requirement	245.780	259.016	268.266
Core Funding			
Revenue Support Grant	(22.615)	(22.978)	(23.369)
NDR	(22.735)	(23.612)	(24.014)
NDR Top Up & S31 Grants	(55.202)	(61.188)	(62.230)
S31 Grants and Other Admin Grants			
BRR Pooling	(1.200)		
2023/24 Top Adjustment			
Council Tax	(89.921)	(96.110)	(102.626)
(Surplus)/Deficit on Collection Fund			
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	(3.995)
Services Grant	(0.403)	(0.403)	(0.403)
Social Care Support Grant	(21.725)	(21.725)	(21.725)
Additional Social Care Support Grant			
New Homes Bonus	(2.039)	(1.498)	
Total Core Funding	(219.835)	(231.508)	(238.362)
Cumulative Budget Deficit/(Surplus) Before Reserve	25.946	27.508	29.904
Contribution To Reserve / (Drawdown From Reserve)			
Cumulative Budget Deficit/(Surplus) After Use of Reserve	25.946	27.508	29.904

- 2.9 The forecast budget gap for 2025/26 of £25.5m coupled with a forecast overspend position for 2024/25 presents a significant risk in being able to set a balanced budget for next year. One of the key differences from previous years is that the Council had much higher levels of General Fund reserves to cope with financial risks than it currently has at its disposal. Usable earmarked reserves have reduced from £32.43m at the start of 2022/23 to £23.62m in 2024/25.
- 2.10 Within this figure, the Budget Support Reserve which was established to smooth the delivery of savings has reduced from £15.4m in the same period to £6.59m at the start of 2024/25.
- 2.11 Given the matters highlighted in this report, it is essential that a further significant programme of savings and transformation will need to be implemented to underpin financial sustainability.

3. Economic Outlook

- 3.1 The Council currently uses Link as professional advisors to provide up-to-date forecasts on the outlook for inflation and interest rates. A summary of their latest advice is set out below.
- 3.2 On 9 May, the Bank of England's Monetary Policy Committee (MPC) kept rates on hold for the sixth time in a row but is now firmly in the camp of preparing the market for near-term interest rate cuts. Subsequently, the UK April inflation data shows CPI falling from 3.2% to 2.3%, but this was above the Bank of England and consensus view of 2.1%, with services and core inflation (excluding energy, food, alcohol and tobacco) remaining stuck at 5.9% and 3.9% respectively. However, despite these upside surprises, the CPI measure of inflation is likely to fall close to or below 2% when next reported on 19 June, and based on Capital Economic latest forecasts is likely to fall close to 1% within the next year.
- 3.3 Nonetheless, there remain several key factors that could act as a headwind to near-term rate cuts. The first of these is wage inflation. With average pay increasing at close to 6% year-on-year, the Bank of England will be keeping a close eye on upcoming wage and employment data. In particular, it will be looking for a loosening in the labour market arising from a reduction in the prevailing near 1 million job vacancies, an increase in unemployment (currently 4.3%), and government policies that do not significantly impact the current elevated level of migration (c700k per annum).
- 3.4 Closer to home, the change in government is not expected to have a significant impact on UK monetary policy. Both leading parties are aware of the public finance backdrop, and there is minimal leeway for further tax cuts or added spending without negatively impacting market sentiment. It may even be the case that the Bank of England will steer clear of an August rate cut – should that be supported by the inflation data – in favour of weighing up fiscal policy implications and market sentiment in the aftermath of the election.
- 3.5 There is increased uncertainty surrounding central gilt market forecasts, and the significant issuance that will be on-going from several of the major central banks, and therefore PWLB forecasts have marginally increased by c20 to 30 basis points. Medium to longer-dated PWLB rates will remain influenced not only by the outlook for inflation, but by the market's appetite for significant gilt issuance.
- 3.6 Long-term (beyond 10 years) forecast for Bank Rate remains at 3%. As all PWLB certainty rates are currently significantly above this level, borrowing strategies will need to be reviewed in that context.

4. Local Government Settlement

- 4.1 The Council also uses professional advisors (LG Futures) to forecast projections of core income (CT, Business Rates and government grants) and their latest advice is as follows.
- 4.2 The medium-term resources projection uses assumptions based on past trends and the time restrictions for reform that the government will have between the General Election and the 2025/26 local government finance settlement.

- 4.3 It therefore assumes that the new government will have very little time to make significant adjustments, therefore roll over the existing funding mechanism to 2025/26, with changes not coming until 2026/27. For the vast majority of funding lines an assumption for inflation has been made based on historic changes. It is only for the Discharge Fund, that an assumption has been made that the funding stream will cease.
- 4.4 It is felt highly unlikely that funding will fall below the existing projection, given the use of minimum funding amounts in previous years and the proximity of the borough to its perceived minimum. This is mainly due to the further assumed delay to the Business Rates Retention reset, which in February was assumed to take place in 2025/26 has now been pushed back to 2026/27 in the forecasts and continues to adversely impact on the borough. However, there is a significant risk that the new government will not have sufficient time to address this in that year.
- 4.5 Table 3 below shows the latest projections for 2025/26 and the increase or decrease from the forecasts in the February 2024 budget report. It can be seen from the table that removing the business rates re-set from 2025/26 has resulted in a £7.2m decrease in business rates funding for the Council. This has been offset by the assumption that the £1.9m one-off funds for 2024/25 will continue to be paid (not without risk) in 2025/26.

Table 3 – Changes in Core Funding

	Budget 2025/26 (Feb 2024)	Revised Estimate (LG Futures)	(Increase)/ Decrease in Funding
	£m	£m	£m
Revenue Support Grant	(22.926)	(22.615)	0.311
NDR	(23.302)	(22.735)	0.567
NDR Top Up & S31 Grants	(62.421)	(55.202)	7.219
BRR Pooling	(1.000)	(1.200)	(0.200)
2023/24 Top Adjustment			0.000
Council Tax	(88.462)	(89.921)	(1.459)
(Surplus)/Deficit on Collection Fund			0.000
Market Sustainability & Fair Cost of Care Grant	(3.995)	(3.995)	0.000
Services Grant	(0.367)	(0.403)	(0.036)
Social Care Support Grant	(19.823)	(21.725)	(1.902)
New Homes Bonus		(2.039)	(2.039)
Total Core Funding	(222.296)	(219.835)	2.461

- 4.6 Revised income assumptions have also led to a slight increase in forecast council tax assumptions mainly around the council tax base.
- 4.7 Aside from any other ad hoc or specific grants the only other main source of funding for the Council is through Fees & Charges for services it provides. A high-level review of these were undertaken during 2023/24 which highlighted areas requiring

further in-depth work. This work is ongoing and any increases in fees & charges will be presented as savings proposals for 2025/26.

5. MTFS assumptions

- 5.1 The table below provides details of those assumptions and estimations that have been used in formulating the Council's budget for next year and the overarching MTFS and are broadly remain in line with those included in the February 2024 budget report.

Table 4 – Core Assumptions

Item	24/25	25/26	26/27	2027/28	Explanation
Expenditure					
Pay award	3.00%	3.00%	2.00%	2.00%	This reflects the net agreed average increase across all pay grades in 2023/24 with similar pressure on pay expected in future years. This allocation will be under review with further economic data being released over coming months
Employers National Insurance	13.80%	13.80%	13.80%	13.80%	Assumed will remain consistent with 2023/24
Employers Pension Contributions (payroll rate)	22.00%	22.00%	22.00%	22.00%	Assumed will remain consistent with 2023/24
Interest Cost	4.8%	4.5%	4.0%	4.0%	This reflects the current rates model for future Council borrowing
Funding					
Council Tax					
Council taxbase (after council tax reduction scheme)	84,096	89,921	96,110	102,626	
Increase in CT Base	3.0%	1.8%	1.8%	1.7%	
Budgeted collection rate (%)	97.5%	97.5%	97.5%	97.5%	
Band D (standard) (%)	2.99%	2.99%	2.99%	2.99%	
Band D (adult social care precept)%	2.00%	2.00%	2.00%	2.00%	
Council Tax Bad Debt Provision	5.00%	4.00%	4.00%	4.00%	Considered reasonable with the projected balance of arrears

- 5.2 The pay award for 2024/25 is expected to be higher than the 3% allowed for within the current approved budget. It is assumed the pay award pressure for 2024/25 will be funded from within existing budgets.
- 5.3 The 2025/26 pay award assumption in the February MTFP was 2%. Given the higher level of pay award now likely for 2024/25 it is now felt prudent to increase the assumption in 2025/26 from 2 to 3% which creates an additional budget requirement of £1.4m for 2025/26 (£0.02m of this arises from the higher award for 2024/25).

6. Savings & Growth

- 6.1 As highlighted above, the budget gap for 2025/26 now stands at £25.9m which, for clarity includes the cumulative impact of the £8.9m shortfall in savings for 2024/25 but which can be broken down as £15.6m for the Council's core pressure and £10.3m to address dividend income budget.
- 6.2 Strategic Directors have been working on developing new savings proposals to address the £8.9m gap for 2024/25 with the deadline for return of first round savings proposals being 30 June 2024. These are now being collated and will be scrutinised by the Financial Scrutiny Board (chaired by the Chief Executive) on 25 July 2024. A second round of savings proposals is built into the budget timetable as set out in section 10 below.
- 6.3 For the 2025/26 and 2026/27 years, growth was approved in both the February 2023 and 2024 budget reports. These items will be reviewed as part of the draft budget process and will ensure that the business case remains. Details of pre-agreed savings and growth proposals, together with information on revised inflation and demand factors referred to in this report, are set out in Appendix A.

- 6.4 Any new growth will only be considered on a robust business case basis as out in the budget strategy key principles below.
- 6.5 However, as highlighted in section 2 above, it is imperative that a significant programme of savings and transformation is implemented over the MTFs period in order to support the Council's ongoing financial sustainability.

7. Current year forecasts – 2024/25 as at Period 2

- 7.1 The forecast pressure as per period 2 is a break-even position. This is broken down as per table below:

Table 5 – Period 2 forecast summary

Service	Latest Budget £'000	Forecast £'000	Variance £'000
Directorates	189,550	193,550	4,000
Central Expenses	47,284	43,284	-4,000
IAS	-15,089	-15,089	0
Total General Fund	221,745	221,745	0

8. Reserves

- 8.1 The Council's opening General Fund reserves at 1 April 2024, after approved budget drawdowns and deduction of the 2023/24 overspend are set out below.

Table 6 – Reserves Summary at 1 April 2024

	Opening Balance £'m	Budgetted Drawdown 24- 25 £'m	Planned Drawdown 24- 25	Closing Balance After Reserve Adj's £'m
General Reserves	(14.40)			(14.40)
Budget Support Reserve	(15.40)	8.81		(6.59)
Sub total	(29.80)	8.81		(20.99)
Ring-fenced Reserves	(25.54)			(25.54)
PFI Reserves	(14.04)			(14.04)
Collection Fund Reserves	(6.70)			(6.70)
Levy Funding Reserve	(7.56)			(7.56)
Sub total	(53.84)			(53.84)
Non Ring-Fenced Reserves (Directorates)				
Corporate Reserves	(6.61)			(6.61)
People & Resilience	(0.35)			(0.35)
Legal, Governance & HR	(0.41)			(0.41)
Strategy	0.00			0.00
Inclusive Growth	(1.80)			(1.80)
Community Solutions	(2.40)			(2.40)
My Place	0.00			0.00
Non Ring-Fenced Reserves	(11.57)			(11.57)
IAS & Hotel Reserves	(33.96)		3.14	(30.82)
HRA Reserves	(37.41)			(37.41)
Schools Reserves	(21.47)			(21.47)
Capital Reserves	(106.23)			(106.23)
Total Reserves	(294.27)	8.81	3.14	(282.32)

- 8.2 It can be seen from the table above that at 1 April the General Fund balance has now reduced to £14.4m which is only £2.4m above the minimum balance of £12m required in the Council's Reserves Policy. After the planned use of £8.9m to set the 2024/25 budget, the Budget Support Reserve has now reduced to £6.59m.
- 8.3 Therefore, the combined total of available non-earmarked reserves available to accommodate budget overspends is now only £8.99m. Further work is being undertaken to more accurately quantify financial risk which may mean that small amounts may be able to be released from other earmarked reserves but unlikely to be significant.
- 8.4 As highlighted above, a comprehensive review of the IAS portfolio is being undertaken which will include the financial forecasting in order to quantify with more certainty what level of reserves should be maintained for the financial risks that the IAS is facing over the medium term. Once this work is completed, it may be possible to release some of these reserves, but the likelihood is low as a number of the IAS schemes under construction carry significant financial risk.
- 8.5 In conclusion, there are insufficient non-earmarked reserves that would be available to bridge the latest forecast gap for 2025/26 of £25.9m and any potential overspend this year and therefore, it will be crucial that significant savings are found through the budget setting process in order to set a balanced budget next year.

9. Budget Strategy – key principles

- 9.1 Given the scale of the budget gap for 2025/26 and beyond it is imperative that the Council adopts a strategic approach in setting its budgets. This will enable the Council to, not only set a balanced budget, but also to ensure that financial resources are allocated to underpin the achievement of the Corporate Plan objectives. It is also important that the Council seeks continual improvement in the use of public funds and the delivery of value-for-money.
- 9.2 This strategy will unpin the annual budget process and sets out the key principles to be adopted in setting the General Fund and HRA revenue and capital budgets for 2025/26. The strategy will be reviewed and updated annually to ensure its continued appropriateness and effectiveness.
- 9.3 It is anticipated that by adopting a strategic approach the following key objectives will be met:
- 1) Delivery of the B&D Corporate Plan objectives
 - 2) Appropriate resources set aside to deliver key strategies
 - 3) Resources are allocated to key priorities
 - 4) Opportunities for innovative and modern ways of working will be adopted as far as possible
 - 5) The Council delivers value-for-money for the local Council Tax payer in the delivery of its services
 - 6) Maximises outcomes for the Residents, visitors and citizens of the Borough

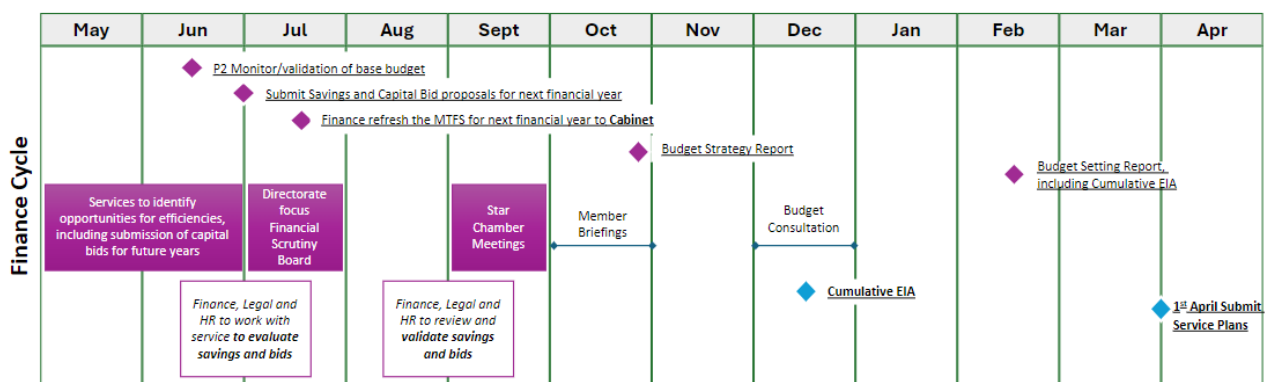
9.4 There are a number of key strategies which the Council is either developing or refreshing and these strategies will be essential to ensuring that the Council can achieve the outcomes above:

- Housing Strategy
- Economic & Regeneration Strategy
- Asset Management Strategy
- Procurement Strategy
- AI & Digital Strategy

9.5 Whilst there are overarching principles in setting the budget which are underpinned by statutory or other mandatory obligations, each local authority will also have other guiding principles which are appropriate to their individual local authority. For B&D proposed key principles are:

1. Appropriate investment is made available in transformation activity.
2. Invest-to-save initiatives underpinned by robust business cases.
3. Adequate investment in core infrastructure is maintained.
4. Modern and efficient Target operating models (ToMs).
5. Opportunities for AI & Digital solutions are maximised to reduce/eliminate non-value adding activity for staff and/or enhance outcomes for residents.
6. Cashable procurement savings are delivered.
7. The Council derives maximum benefits from the assets at its disposal.
8. Staffing structures are lean but skilled.
9. Whole Council approach to reduce demand for services.
10. Zero-based budgeting for key areas.
11. Greater use of VCS to achieve better outcomes for residents.
12. Specific savings targets (shared on appropriate methodology).
13. Growth only considered on evidence-based, business case basis.
14. Use of benchmarking tools is maximised to assess the Council cost and delivery performance.

10. Outline budget timetable for 2025/26



11. Financial Implications

Implications completed by: Jo Moore, Interim SD Resources

11.1 This report is written by the Councillor's S151 Officer and the financial implications are as set out in the main body of the report.

12. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Solicitor

- 12.1 A local authority is required under the Local Government Finance Act 1992 to produce a 'balanced budget'. It must look and plan further and during any financial year, there is an ongoing responsibility to monitor spending and ensure the finances continue to be sound. This does mean as a legal requirement there must be frequent reviews of spending and obligation trends so that timely intervention can be made ensuring the annual budgeting targets are met. Furthermore, the Council is subject to the Best Value duty under the Local Government Act 1999 to secure continuous improvement in an efficient, economic and effective way.
- 12.2 Section 25(1)(a) and (b) of the Local Government Act 2003 requires its Chief Finance Officer (Section 151 Officer) to report on the robustness of the estimates made for the purpose of calculating Council Tax, but more particular to the purposes of this report the adequacy of reserves hence the need for a Reserves Policy. When considering what level of general reserve to hold applicable legislation includes s.31A, 42 and 43 of the Local Government and Finance Act 1992.
- 12.3 If during the Strategy period there are reductions or changes in service provision as a result of changes in the financial position, the local authority is free to vary its policy and consequent service provision but at the same time must have regard to public law considerations in making any decision lawfully as any decision eventually taken is also subject to judicial review. Members would also wish in any event to ensure adherence as part of good governance. Specific legal advice may be required on the detailed implementation of any agreed savings options. Relevant legal considerations are identified below.
- 12.4 Whenever there are proposals for the curtailment or discontinuance of a service or services, there will be a need for appropriate consultation. In some cases, this will be prescribed by statute, or by common / case law. For example, if savings proposals will affect staffing then it will require consultation with unions and staff. In addition to that Members will need to be satisfied that Equality Impact Assessments have been carried out before the proposals are decided by Cabinet and proper consideration of human rights. If at any point resort to constricting expenditure is required, it is important that due regard is given to statutory duties and responsibilities. The Council must have regard to:
- any existing contractual obligations covering current service provision. Such contractual obligations where they exist must be fulfilled or varied with agreement of current providers;
 - any legitimate expectations that persons already receiving a service (due to be cut) may have to either continue to receive the service or to be consulted directly before the service is withdrawn;
 - any rights which statute may have conferred on individuals and as a result of which the Council may be bound to continue its provision. This could be where an assessment has been carried out for example for special educational needs statement of special educational needs in the education context);
 - the impact on different groups affected by any changes to service provision as informed by relevant equality impact assessments.

Public Background Papers Used in the Preparation of the Report: None

List of appendices:

- **Appendix A – Pre-Agreed Savings & Growth Proposals and Revised Inflation Factors**