

**Report of the Executive Director Core Services
and Director of Finance (S151 Officer)
to the Overview and Scrutiny Committee (OSC)
on Tuesday 13 February 2024**

Medium Term Financial Strategy 2024-27

1.0 Introduction

1.1 The purpose of this report is to provide Members of the Overview and Scrutiny Committee with full oversight of the financial position of the Council over the period 2024/25 through to 2026/27.

2.0 Background

2.1 Each year the Council is required to set a balanced budget for the coming financial year (April to March). The budget sets out how the Council will spend its money to provide a range of services to meet the needs of residents. This includes schools, social care, planning, public health, bin collections and road maintenance.

2.2 This is called the 'revenue budget' and is used to pay for the day to day running costs of delivering services. This includes staffing, maintaining public buildings and general service running costs.

2.3 The revenue budget is funded from a combination of:

- government grants
- fees and charges (such as car parking or crematorium fees)
- commercial rents (not housing rents as this is separate)
- business rates and Council Tax

2.4 The Council also sets a 'capital budget'. The capital budget is separate from the revenue budget, and it is what the Council is seeking to invest in major asset infrastructure such as undertaking economic regeneration priorities like the town centre redevelopment or maintain the borough's highways. Capital funding can come from a number of sources, including:

- capital receipts from selling off assets, for example land
- specific grants to pay for specific schemes or initiatives
- borrowing, for example a loan
- match funding/contribution from external parties
- money set aside from reserves (underspends) from the revenue budget

2.5 The Council continues its drive to invest in the borough's future with a capital investment programme starting from 2024/25 to be spent over a three-to-five-year period.

2.6 The budget is allocated to help make Barnsley a place that fosters and grows ambition across its communities. All decisions on how to spend and allocate the budget are made with residents in mind and makes sure the work of the Council makes a real difference. It also drives the Council to be modern, inclusive, efficient, productive and high performing.

2.7 The Medium-Term Financial Strategy (MTFS) for 2024-2027 (Item 4b attached) is a comprehensive suite of papers outlining the Council's 2024/25 budget proposals for consideration. The MTFS has been presented to Cabinet on 7 February and will be presented for approval to Full Council on 29 February 2024.

2.8 The suite of papers includes the following key information:

- The Chief Finance Officer's Section 25 Report:-

This report highlights the Director of Finance's (S151 Officer) view on the Council's financial position. The Section 151 (S151) Officer of the local authority is responsible for making the necessary arrangements for local financial and management controls, under section 151 of the Local Government Act 1972. This report specifically provides advice on the robustness of the estimates included in the budget and adequacy of reserves. The report also gives consideration to the affordability and prudence of capital investment as well as the importance of the budget setting framework.

- The Medium Term Financial Strategy:-

This provides details of the estimated expenditure for the period together with estimated income. The report highlights any funding gaps (where expenditure exceeds funding) and the strategy to address these gaps.

- Council Tax Options:-

This paper gives details on the various options for council tax setting.

- Reserves Strategy:-

This sets out the estimated position of the Council's Reserves and recommended approach to using those.

- Treasury Management Strategy:-

This sets out the Council's current and future levels of borrowing and investment activity as well as reporting on the Council's prudential indicators.

- Fees & Charges:-

This report proposes the fees and charges (e.g. car parking or burial fees) for the forthcoming financial year.

- Budget Recommendations:-

This paper is the overarching recommendations on the budget.

- Directorate Efficiency Proposals and Spending Plans:-

This paper provides further details on any proposed efficiencies (reductions in expenditure or increases in income) each Directorate of the Council is seeking to make to bridge budget gaps, together with setting out the budget by Directorate for the forthcoming year.

- Capital Programme:-

This report sets out the Council's Capital spending priorities for the next three to five years.

2.9 The suite of papers also provides details on the Council's redundancy and compensation policy together with the communication plan for the budget.

3.0 Current Position

3.1 During 2023/24 the Council has experienced significant financial pressures mainly as a result of an increase in the cost and demand of providing services to the most vulnerable adults and children in Barnsley. The current predicted position for 2023/24 (as at quarter 3) is for a cost pressure in excess of £20M. This will need to be funded from the Council's reserves, and whilst this is fine as a temporary bridging strategy this is not sustainable in the long term.

3.2 As these pressures will continue into future years, they have been considered as part of the 2024/25 revenue budget. Total cost pressures for 2024/25 amounting to £35M are included with the Council's revised net budget of £257M (after some £8M of proposed efficiencies). The budget can be balanced but this is dependent on Members agreeing to a proposed council tax increase for 2024/25 of 4.99% together with service efficiencies of £8M from Phase 1 of the Council's transformation programme.

3.3 The service delivery budget is broken down as follows.

Budget Percentage	Services	£m
28%	Children's Services (e.g. Children's Social Care, Education Services, Early Help)	64
27%	Adult Social Care	62
27%	Growth & Sustainability (e.g. Housing, Economic Regeneration, Bin collections, road maintenance, jobs and skills, culture)	62
5%	Public Health & Communities (e.g. 0-91 Nursing Service, Health Improvement, Health Protection, Community Safety)	11
13%	Core Services (e.g. Finance, IT & Human Resources)	29

4.0 Future Plans & Challenges

4.1 Beyond next financial year, a £15.5 million shortfall is currently estimated. Forecasts are based on many assumptions, and it is critical that the Council remains vigilant, flexible, and prepared for all eventualities. The Council is preparing as well as it can for this and the different scenarios it may face, with the strategy to meet the current forecast gap being to bring forward proposals under phase 2 of the service transformation programme. However, this may be insufficient to bridge the gap in total and therefore the Chief Executive, Director of Finance and Senior Management Team are formulating an alternative savings plan (over and above the service reviews /Asset Management Strategy) under various scenarios for Member consideration during 2024.

4.2 This may mean more difficult choices and decisions need to be made which could include, but are not limited to, increases in council tax, increases to housing rents, introducing or increasing charges for discretionary services, stopping or paring back discretionary services that people rely on the most and disposing of underutilised assets within our communities.

4.3 Despite increasing demand and pressures on services and finances, the Council continues to work towards delivering its Council Plan and Barnsley 2030 ambitions which set out what it will achieve against a range of priority areas and where it knows it must commit resources, people and time to ensure success.

5.0 Invited Witnesses

5.1 The following witnesses have been invited to answer questions from the Overview & Scrutiny Committee:-

- Neil Copley, Director of Finance, Core Services, Barnsley Council
- Steve Loach, Head of Corporate Finance & Business Partnering, Core Services, Barnsley Council
- Wendy Popplewell, Executive Director, Core Services, Barnsley Council
- Cllr Robert Frost, Cabinet Spokesperson, Core Services

6.0 Possible Areas for Investigation

6.1 Members may wish to ask questions around the following areas:-

- What evidence base is used for allocating resources and how will you know if it is making an impact and delivering best value?
- How would you describe the organisation's attitude to spending reserves, investment and borrowing? How confident are you that these are prudent, manageable, and not considered an 'excessive risk'?
- How confident are you that the Council comfortably operates 'within its means'? Why do you think that?
- How do you know whether effective controls are in place to prevent overspends? How are decision makers held to account for spending activity and what more needs to be done?
- What is in place to ensure that decision makers and leaders have the appropriate skills to make sound financial decisions? What more could be done?
- How do you know that the Council's current transformation plans are realistic, manageable, and achievable within the given timescales? What remedial action would be taken if they were not delivering?
- What processes are in place if it becomes apparent that the financial strategy is not working? How quickly could an alternative course of action be identified and implemented?
- What is the strategy for dealing with unplanned expenditure that may arise throughout the year - what contingencies have been made and what has this been based on?
- Are all financial performance measures for 2023/24 likely to be met and how are they monitored? Which areas are causing the greatest concern and how does this impact upon the budget?
- Are systems, processes and governance arrangements fit for purpose? How do you know?
- Can you give examples of how you have learned from good and poor practice in other local authorities to shape practice locally?
- Is the current economic climate the right time to be selling assets and undertaking large-scale capital investment schemes or should the organisation be more cautious?

- What mechanisms are in place to ensure that external funding will meet 100% of the costs of the capital schemes identified? What would happen if it does not, and do any of the projects have implications for the revenue budget?
- What due diligence is carried out to determine the financial health of partners/customers?
- What assurances can you give that you will be able to deliver a balanced budget for the financial years up to 2027, and what more needs to be done to address longer-term financial sustainability?
- What do external advisors say about the financial health, controls, and processes of the organisation? Are there any improvements to be made?
- How can members of the Overview & Scrutiny Committee support the work throughout the course of 2024/25?

7.0 Background Papers and Useful Links

- Barnsley Council Plan
<https://www.barnsley.gov.uk/services/our-council/council-plan/our-council-plan/>
- UK Government – Local Government Act 1972 -
<https://www.legislation.gov.uk/ukpga/1972/70/contents>

8.0 Glossary

AMS	Asset Management Strategy
OSC	Overview & Scrutiny Committee
MTFS	Medium Term Financial Services
S151	Section 151 of the Local Government Act 1972

9.0 Officer Contact

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2 February 2024