



Local Authority Budgets - process & ownership

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Previous S151 experience – 2 Unitary councils
other experience with:

- District councils and London boroughs
- CFO for local authority owned trading companies
- CFO for central government agencies and Shared Service Company
- CFO for multi Academy Trust and School Governor
- Non Executive Director of trading companies
- Trustee/Director not for profit sector
- Adviser to Audit Committee
- LGA Financial Improvement Associate

Who Am I?





Objectives

- Understand the budget process and timescales
- Understand roles and responsibilities
- Consider information needs
- Next steps



The Budget

“It’s clearly a budget.
It’s got a lot of numbers
in it”

George W Bush

Public Accounts Committee w/c 15 March 2021



“Being able to plan for the medium term is a very important part of being a local authority section 151 officer, so that’s the bit that is causing me the most concern”

Lorna Baxter (president of the Society of County Treasurers)



Importance of the MTFFS

A good MTFFS should provide a clear and concise view of future sustainability and the decisions that need to be made in order to address any gaps in long-term financing. It forms the pivotal link to translate the organisation's ambitions and constraints into deliverable options for the future.



CIPFA: The Importance of a Medium Term Financial Strategy

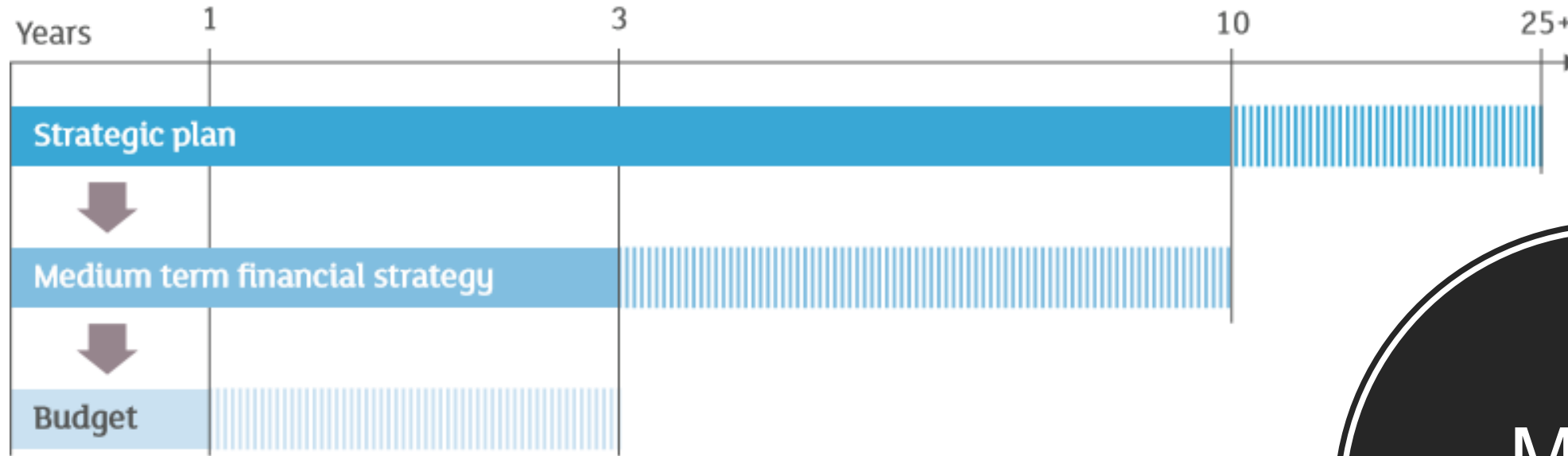


Aim of the MTFS



- The aim of a medium-term financial strategy (MTFS) is to pull together one place all known factors affecting the financial position and financial sustainability of an organisation over the medium term.
- The MTFS should be a living document that forms the basis of fiscal strategy for public bodies.
- The process of producing and updating the medium-term financial strategy can be as important as the document itself, in giving a focus to the future implications of policy decisions and discussion of priorities and external influences.

Timescales in financial planning



“Financial planning is one element of effective public financial management along with budget preparation, performance management”

Budget process

The four main stages of the budgeting process that councillors should think about are:

- 1. Planning and setting the budget: what does the council want to achieve?
- 2. Scrutinising the proposed budget: does it comply with the council's policies?
- 3. Monitoring the budget throughout the year: is there an over- or an under-spend?
- 4. Reviewing the budget: did the allocated budgets achieve the desired type and level of service?

Budget setting requirements

- A robust “Medium Term Financial Strategy”
- The annual budget must be approved by full Council by the 11 March prior to the start of the financial year
- By law, the annual budget must be:
 - Balanced and robust
 - Leaving the council with adequate reserves
- Local Government Finance Act Section 114
- The annual budget also sets the Council Tax for the forthcoming year



Section 25 Local Government Act 2003

- Minimum level of reserves
- Robustness of estimates



Audit & Governance Committee

Terms of Reference include:

“The Council has also established an Audit and Governance Committee, which will have the specific role of monitoring the budget; approving the Council's Statement of Accounts and acting as the Council's Audit committee.

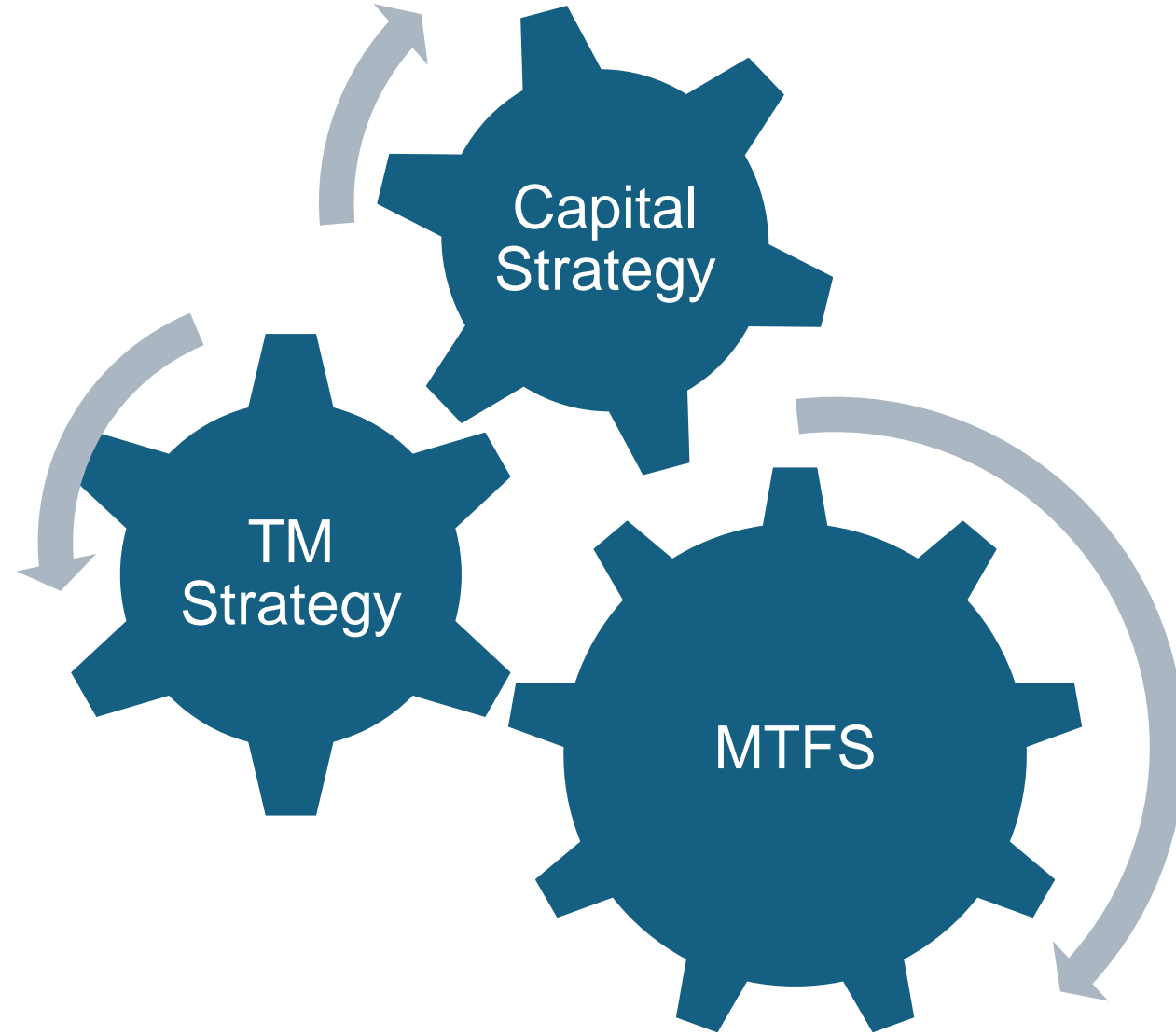
The committee is also responsible for promoting and maintaining the Ethical Standards Framework.”

Council constitution

[Other committees.pdf \(eastherts.gov.uk\)](#)



Important documents



Key documents

- MTFS
- Budget report
- Schedule of savings (delivery plans)
- Risk register
- Capital Strategy and programme
- Treasury Management Strategy
- Council tax base Report
- Schedule of fees and charges



Objectives (examples)

- To ensure the Council has adequate funding to deliver the priorities as set out in the Corporate Plan
- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
- Council Tax is to remain in line with current government guidelines without triggering a referendum
- Maximise income opportunities primarily through structured growth of the council “place” and proactive partnership working

Financial Principles (suggested)

- Managers must contain their expenditure within their approved budget. The Council will achieve a balanced budget year on year.
- Services will be charged for under the Council's agreed Fees and Charges Policy. Charges will be increased for inflation.
- Provision for pay inflation will be made centrally.
- Price and pay inflation policy including NLW.
- Service departments are expected to meet the capital financing costs of projects. (Invest to save)
- Corporate or cross cutting schemes may be funded centrally

MTFS content

- Ensure the strategy links to the Corporate Plan
- Understand local and national factors. (e.g. Covid-19)
- Financing the council (Resources)
- Service spending plans
- Savings strategy
- Links to other plans (including the HR resource plan)
- Risk Register
- Metrics for success

MTFS

Stages to agreeing a budget

Capital Strategy

Treasury Management
Strategy

Budget Planning

Capital Strategy

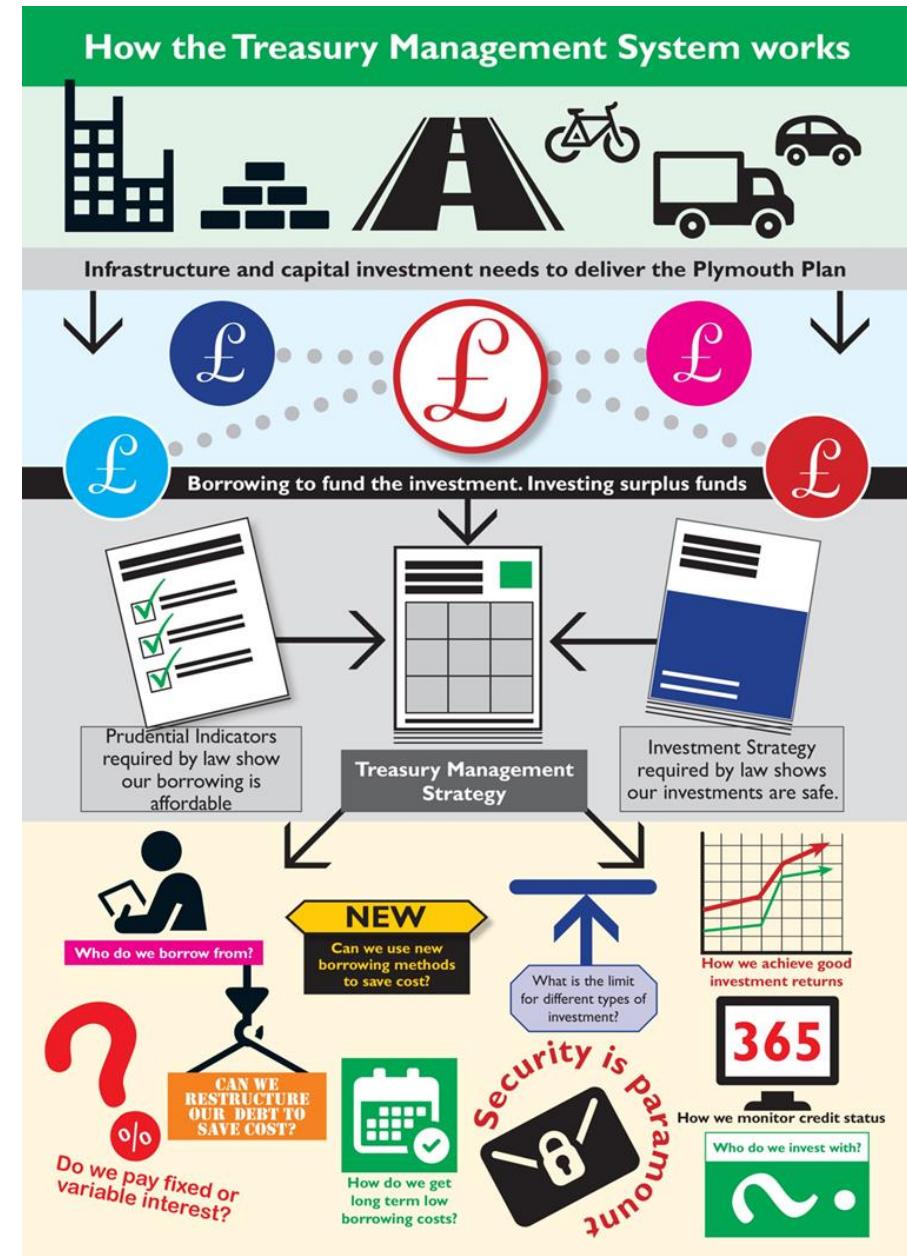
Taken from CIPFA
Medium-term
financial strategies
in the UK public
sector

Stages in capital planning

Capital Strategy	<ul style="list-style-type: none">■ Service needs over the longer term■ Existing assets■ Gap analysis■ Affordability
Asset Management Plan	<ul style="list-style-type: none">■ Current inventory■ Ongoing maintenance and investment needs■ Asset utilisation■ Future investment
Capital Programme	<ul style="list-style-type: none">■ Medium-term plan for investment■ Project based■ Capacity to deliver and programming

TM & Capital Strategy

- Borrowing strategy
- Prudential indicators
- Investment strategy
- Non-Treasury Management Investment strategy
- Minimum Revenue Strategy



Performance metrics



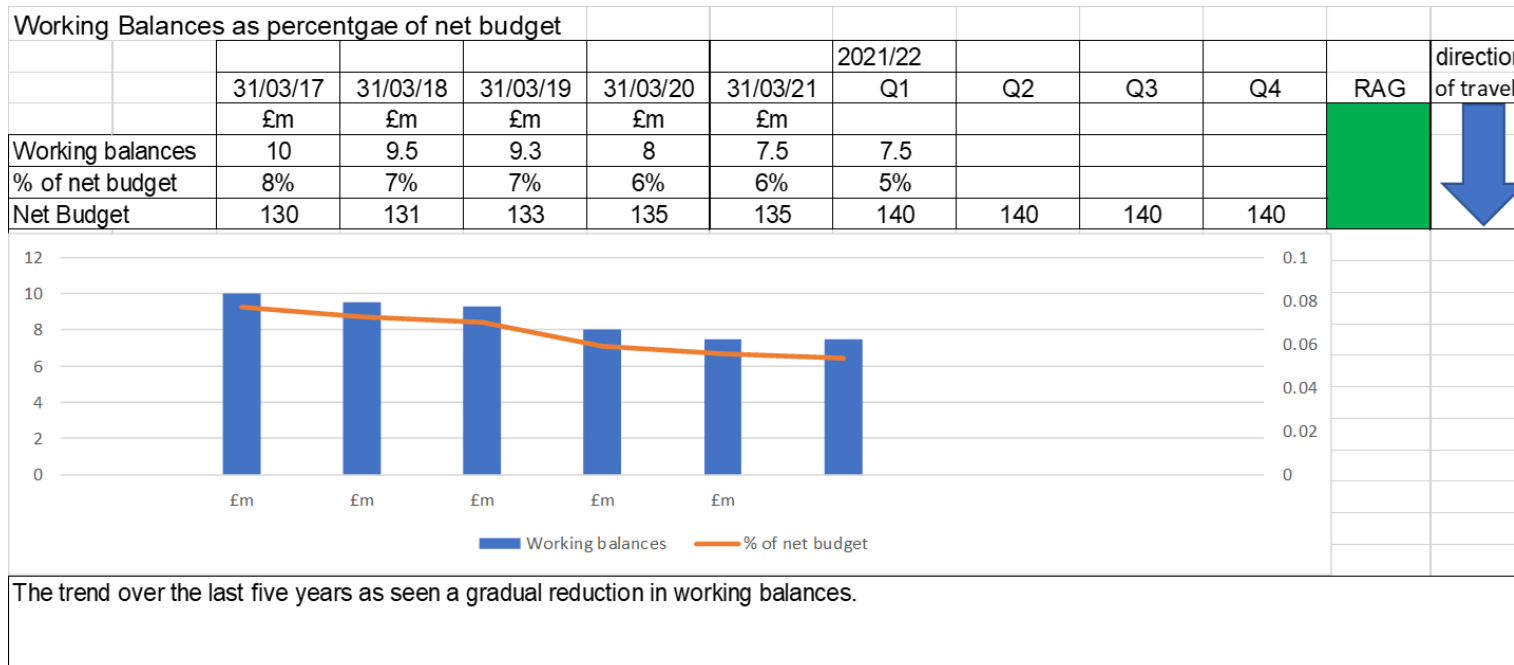
Performance metrics or KPIs are a set of quantifiable measurements that are used to track and evaluate progress toward achieving specific goals and to identify areas that require improvement. KPIs are typically tied to a specific timeframe and measure progress over time.

Metrics for success - financial objectives

- Generate the maximum possible funding towards delivering the priorities as set out in the Corporate Plan.
- Prioritise capital schemes based on deliverability of tangible outcomes whilst considering the context of the overall capital and revenue affordability.
- Council Tax increases will be at the maximum permissible below the level to trigger a referendum.
- Maximise income opportunities primarily through structured growth of the district and proactive partnership working.
- Continue to maximise savings from transforming services and seek new opportunities where possible.
- Deliver x% “cashable efficiencies per annum during life of MTFS

Metrics for success - financial objectives

- Achieve a return on TM investment of x%
- Maintain an average borrowing rate below X%
- Borrowing not to exceed £xxm in 2021/22.
- Retain a general fund revenue balance of at least x% of net expenditure
- To collect x% of council tax due in year
- To collect x% of business rates due in year
- HB indicators; processing time, change of circumstances time, recovery of HB overpayments



Dashboard

Business Plan goal:

To provide professional finance support to aid effective decision making and management. To provide effective value driven procurement and commercial services.

Ref	Description	frequency	Target	14/15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Transaction Centre															
TC1	% of supplier payments in 30 w/days	monthly	95.0%	97.8%	99.3%	98.3%	97.9%	98.6%							
TC2	% of supplier pay'ts to SMEs in 15 days	monthly	75.0%	74.2%	64.9%	76.2%	77.3%	77.7							
TC3	% of NNDR collected	monthly	42.8%	97.5%	17.80%	25.9%	29.1%	42.8%							
TC4	% of sundry debt recovered against GF	monthly	95.0%	94.9%			88.7%	93.9%							
TC5	Reduce no. of suspense transactions	monthly (cumm)	10,664	32,000	2,982	5,824	8,864	12,100							
TC6	CFS days to process	quarterly	20	69			107								
TC7	% of CO's to PO's (number raised)	monthly	10.0%	18.7%	9.50%	10.8%	11.2%	9.3%							
TC8	Buyers savings v spend	monthly	7.5%	6.9%	11.4%	7.9%	13.7%	8.0%							
TC9	% of customers using Transaction Centre treated fairly or better	monthly	90.0%												
Customer Services															
	% of Council tax collected	monthly	38.3%		10.2%	19.3%	28.5%	37.6%							
	% of Council Tax a/cs paid by DD	monthly			63.8	64.4	64.9	65.3							
Finance Operations															
FO1	PCC budget variance (forecast outturn)	monthly	+/- 2%			£1.86m	£3.195m	£2.289m							



Top Ten – Bet the business metrics/KPIs

Examples:

- Actual to Budget
- Delivery of savings to target (RAG Time and value)
- Rate of return on investment – invest to save schemes
- % Council tax collected
- Aged debt analysis
- Cost per transaction – do you know how much it costs to provide a service?

Why use metrics / KPIs?

Know why you need the measures

Know how to respond to the data

What if performance is not on target?

Do we have the capacity / capability to change?

Are we better worse than comparators? Is that important? Do we know why?

Who owns the budget?

- ? Head of Strategic Finance
- ? Chief Executive
- ? Leadership Team
- ? Leader of the Council
- ? Executive Member
- ? Executive
- ? Council



Whose budget is it?

- **Value for money**

What is the councillor's role in all of this? Put simply, it is to consider the council's finance and funding as a central part of all decision making and to ensure that the council provides value for money, or best value, in all of its services.

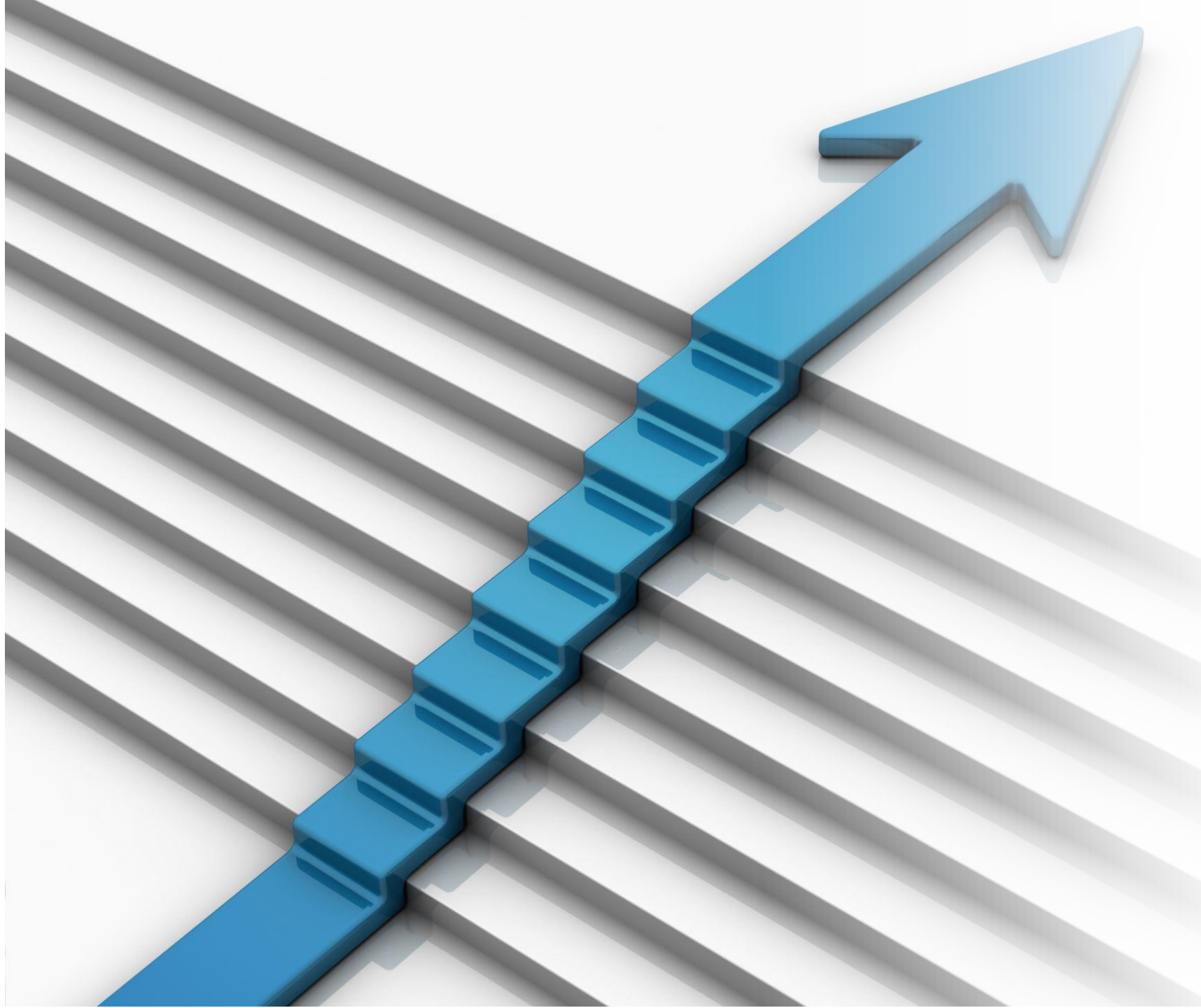
- The Local Government Act 2000 states that it is the responsibility of the full council, on the recommendation of the executive (or the elected mayor) to approve the budget and related council tax demand.
- Failure to set a legal budget may lead to intervention from the Secretary of State under section 15 of the Local Government Act 1999.



Whose budget is it?

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The Local Government Act 1992 requires that **billing authorities** complete and approve their budgets and set a council tax before 11 March immediately prior to the start of the financial year on 1 April. The deadline for **precepting authorities** is 1 March.



Next steps



Committee deadlines and speed of reporting

Reporting Timetable	Prov Outturn			Q1 Forecast	Q2 Forecast		Q3 Forecast	
			Budget		Budget	Budget	Budget	
Executive								
Report deadline for Leadership Team	02/05/2024	30/05/2024	25/07/2024	22/08/2024	17/10/2024	28/11/2024	09/01/2025	06/02/2025
Leadership Team Meeting	07/05/2024	04/06/2024	30/07/2024	27/08/2024	22/10/2024	03/12/2024	14/01/2025	11/02/2025
Report deadline for Exec pre-meet	15/05/2024	19/06/2024	14/08/2024	11/09/2024	30/10/2024	18/12/2024	22/01/2025	26/02/2025
Executive Pre-meet	21/05/2024	25/06/2024	20/08/2024	17/09/2024	15/11/2024	17/12/2024	28/01/2025	04/03/2025
Report deadline for final agenda reports	21/05/2024	25/06/2024	20/08/2024	17/09/2024	05/11/2024	24/12/2024	28/01/2025	04/03/2025
Agenda Published	28/05/2024	02/07/2024	27/08/2024	24/09/2024	12/11/2024	31/12/2024	04/02/2025	11/03/2025
Executive Meeting	04/06/2024	09/07/2024	03/09/2024	01/10/2024	19/11/2024	07/01/2025	11/02/2025	18/03/2025

Audit & Governance Committee						
Report deadline for Leadership Team	02/05/2024	22/08/2024		31/10/2024		09/01/2024
Leadership Team Meeting	07/05/2024	27/08/2024		05/11/2024		14/01/2024
Report deadline for final agenda reports	16/05/2024	12/09/2024		14/11/2024		16/01/2024
Agenda Published	22/05/2024	18/09/2024		20/11/2024		22/01/2024
A&G Committee Meeting	29/05/2024	25/09/2024		27/11/2024		29/01/2024



Steps to agreeing a budget



Steps to agreeing a budget

April to June: Projections of income and expenditure

- **Officers:** Projections to be adjusted for agreed changes with Finance. Finance to provide cost benchmarks
- **Executive Members:** Heads of Service to ensure Exec Members understand the projections and reasons for change
- **Joint Administration Steering Group:** Service Cost benchmarking and reprioritisation of spend initial discussion. Confirm views of Groups on budget and any issues.
- **Residents:** educating residents on budget issues

July to Sept: Identify Budget Pressures

Exec Meeting 03/09/2024

- **Officers:** Finance and Budget Managers to identify pressures and major contract inflation indexation estimates to be submitted to Finance
- **Executive Members:** Heads of Service to ensure Exec Members understand major contract indexation and discussion on other pressures within their portfolios
- **Joint Administration Steering Group:** agree strategy to meet pressures including demand management, spend reprioritisation, fees and charges increases, Council Tax increase etc. Confirm views of Groups on budget and any issues.
- **Residents:** educating residents on budget issues

Steps to agreeing a budget

Sept to Nov: Detailed Service Budgeting

Exec Meeting
19/11/2024

- **Officers:** Budget Managers to complete detailed estimates on Collaborative Planning system
- **Executive Members:** Heads of Service to take Exec Member through detailed estimates and get sign off for budget submission. Exec Members to review and sign off fees and charges increases
- **Joint Administration Steering Group:** Exec Members to discuss their portfolio budgets in detail and present choices to balance the budget. Confirm views of Groups on budget and any issues.
- **Residents:** Exec Members to lead conversation/consultation with residents on choices to balance the budget

Dec to Feb: Budget reports
Exec Meetings 07/01/2025
11/02/2025

- **Officers:** Strategic Finance to produce Budget and MTFS, Capital Strategy, Treasury Management Strategy, Fees and Charges book
- **Executive Members:** support budget and MTFS by discussing pressures and solutions at budget debate at Exec and support budget scrutiny by Audit & Governance Committee
- **Joint Administration Steering Group:** Confirm views of Groups on budget and any issues. Reach out to opposition groups on issues if appropriate.

26/02/2025: Budget Council

- **Officers:** to brief opposition groups and facilitate any amendments/alternative budgets
- **Executive Members:** to contribute to budget debate by showing solutions to problems in their portfolio budget areas and results of conversations with residents
- **Joint Administration Steering Group:** agree who will speak at Council to support the budget. Ensure Groups will vote for the budget and prime key back benchers to speak