



WEST NORTHAMPTONSHIRE COUNCIL AUDIT & GOVERNANCE COMMITTEE

28 SEPTEMBER 2022

Report Title	Update on Medium Term Financial Strategy, annual budget and capital programme
Report Author	Martin Henry - Section 151 Officer

Contributors/Checkers/Approvers

West MO	Catherine Whitehead	20 th September 2022
West S151	Martin Henry	20 th September 2022

1. Purpose

- 1.1. The purpose of this report is to provide an update on the medium-term financial strategy (MTFS), the annual budget and capital programme in line with paragraph 11.2 of the Finance Procedural rules which form part of the Council's constitution and states:

"11.2 The Committee [Audit and Governance Committee] will contribute to the development of and review of the effectiveness of the Medium Term Financial Strategy, the annual budget and capital programme."

2. Recommendations

- 2.1. It is recommended that the Committee considers the content of this report

3. Issues and Choices

Information

- 3.1 The finance procedure rules of the council set out that the Audit and Governance Committee should contribute to the development and review of the effectiveness of the medium-term financial strategy, the annual budget and the capital programme.
- 3.2 This is the first time this report has been prepared for the committee and seeks to contribute to meeting that requirement. This report sets out initial information on the revenue and capital budget for this year and emerging pressures we are aware of for next year's budget.
- 3.3 Future reports will highlight progress on the detailed budget setting process as well as reporting back on the emerging medium term financial position.

Current Year Position (2022-23)

- 3.4 There were three reports presented to the Cabinet meeting of West Northamptonshire Council held on 23 September 2022. They covered:
- The Quarter 1 revenue budget monitoring position for the current financial year (2022-23)
 - The Quarter 1 capital monitoring position for the current financial year (2022-23)
 - The Quarter 1 Treasury Management Position for the current financial year (2022-23)
- 3.5 The key messages within these reports were as follows.

Quarter 1 – Revenue Monitoring

- 3.6 The report highlighted the key pressures, caused by external factors, that have emerged since the budget was set in February 2022. The report highlighted the following areas of particular pressure:
- Inflationary and cost of living pressures impacting directly on the cost of providing services.
 - Ongoing financial impact of COVID allied with the withdrawal of significant COVID funds previously received
 - Demand led and inflationary pressures within the Children's Trust
 - Demand led pressures within the Adult Social Care
 - Cost of living pay award expected to be significantly greater than the amount included at the time of setting the budget based on the latest national pay award offer made by the employers' organisation



- 3.7 The report then highlighted the cumulative impact of this and other services pressures and made reference to the mitigating actions that management were taking to reduce the financial impact.
- 3.8 After taking into account the mitigating actions and the use of the contingencies built into the budget there was an in-year forecast overspend of £7.6m **which represents 2.2% of the total net budget and is therefore within acceptable tolerances.**
- 3.9 In spite of the forecast overspend being within acceptable tolerances the report then highlighted further steps being taken by management to seek to alleviate further the pressures being faced including the implementation of Spending Review Panels for all spend over £500.
- 3.10 The full report can be found at the following link and further updates will be reported to future Audit and Governance Committee meetings:

<https://westnorthants.moderngov.co.uk/documents/s7950/Revenue%20Monitoring%20Quarter%201%20-%20Financial%20Year%202022-23.pdf>

Quarter 1 Capital Monitoring

- 3.11 The report monitors spend against capital budget and highlights how the budget has changed since it was originally set in February 2022.
- 3.12 The cost of raw materials is experiencing significant increases and whilst we expect these to have an impact on capital projects we are not yet seeing this in significant overspends on capital although there is an expectation that these will begin to emerge over the course of the year.
- 3.13 The report also reports on the HRA capital programme which has been re-profiled to more accurately reflect the timing of capital expenditure in this area. The total capital programme budget envelope remains the same but is just profiled more accurately over the five-year life of the capital programme.
- 3.14 The full report can be found at the following link:

<https://westnorthants.moderngov.co.uk/documents/s7954/Quarter%201%20General%20Fund%20and%20Housing%20Revenue%20Account%20HRA%20Capital%20Monitoring%20Report%202022-23.pdf>

Treasury Management Quarter 1 Report

- 3.15 The report highlights the economic outlook and focusses on inflation and interest rate changes. The report recognises that there will be some financial benefit to the



council in the increasing interest rate environment but is currently forecasting that this will be offset by increased bank charges. As interest rates continue to rise this will be an area that is monitored very closely and reported back to the committee as required.

3.16 The report forecast what interest rates *could* do over the next period of time and concludes that the rates could be 2.75% by March 2023.

3.17 The full report can be found at the following link:

<https://westnorthants.moderngov.co.uk/documents/s7953/Treasury%20Management%20Update%20Quarter%201%202022-23.pdf>

2023-24 Detailed Budget Setting and Medium-Term Financial Strategy

3.18 The reports detailed above provide useful context for the formulation of next year's detailed budget setting process.

3.19 On the revenue account the pressures being faced in this year are continuing into next year and significantly increase the starting budget deficit set out in the final budget papers that went to full council in February 2022.

3.20 The main pressures being faced are similar to those being highlighted under paragraph 3.6.

3.21 The total budget deficit and the ongoing medium term financial position is in the process of being updated and will be reported back to a future meeting however it is clear that delivering a balanced budget for next year is going to be a challenging exercise.

3.22 As a result, the Council has been proactive in seeking to deal with the emerging issue which will be affecting local authorities up and down the country. It has:

- Started the budget setting process much earlier
- Commenced a weekly budget task force to drive the budget process and the initiatives that are expected to positively impact the overall position
- Implemented a Spending Restriction Panel to limit spend in this year and potentially see the benefit of that in next year too
- Already commenced a budget 'Star Chambers' exercise to scrutinise each of the directorates budget pressures in more detail and consider savings proposals being submitted by services



- 3.23 Further reports will be brought back to this committee to consider as we progress through budget setting. The updated medium term financial plan will also be shared once the detailed financial model that sits behind it has been updated.

4. Implications (including financial implications)

4.1. Policy

- 4.1.1. There are no significant policy implications associated with this report.

4.2. Resources and Risk

- 4.2.1. There are no financial and risk implications associated directly with this report which have not been set out within the body of the report.

4.3. Legal

- 4.3.1. There are no specific legal risks associated with this report.

4.4. Equality and Health

- 4.4.1. There are no specific equality and health issues associated with this report.

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