

2022/23 BUDGET SETTING FRAMEWORK AND TIMETABLE

AGENDA ITEM NO 13

MEETING: POLICY AND RESOURCES

DATE: 8TH SEPTEMBER 2021

REPORT BY: FINANCE MANAGER

1.0 Purpose of the Report

1.1 The purpose of this report is to seek approval from Members of the proposed framework and timetable for the setting of the Council's 2022/23 Revenue and Capital Programme Budgets.

2.0 Background to the Report

2.1 The Council's Medium-Term Financial Plan provided the background to the setting of the 2022/23 Revenue and Capital Budgets

2.2 A reminder of the key issues, as they are relevant to the 2022/23 budget setting process, is set out in the following section of the report.

3.0 Key Issues from the Medium-Term Financial Plan

3.1 The Council approved the annual update of its Medium-Term Financial Plan (MTFP) in July.

3.2 The Plan covers the five-year period 2021/22 to 2025/26.

3.3 The MTFP puts in place the principles and framework for the planning of the Council's revenue and capital spending each year via the annual Budget and is therefore the main reference point for the setting of the 2022/23 Revenue and Capital Budgets

3.4 The current MTFP was prepared on the basis of four key principles:-

1. Maintaining services and ensuring a balanced Revenue Budget;
2. Ensuring the continued delivery of the Asset Management Plan via the Capital Programme Budget;
3. Safeguarding a prudent level of balances and reserves; and
4. Keeping any future increases in council tax as low as possible.

3.5 The MTFP concluded that the Council is currently in strong financial health, with ongoing savings on the Revenue Budget, good progress in delivering the Asset Management Plan, and healthy levels of balances and reserves.

- 3.6 This all means that the Council has strong foundations in place and the medium-term financial outlook is relatively positive.
- 3.7 The decision to freeze the Town Council Tax this year was approved and implemented in recognition of the difficulties being faced by local taxpayers during the Coronavirus pandemic. The freeze was made possible as a result of the strong financial health and the fact that the Council made a number of one-off savings during 2020/21 as a direct consequence of the pandemic.
- 3.8 The 2021/22 Revenue Budget continued to maintain surplus revenue budget resources via the contingency budget and a contribution to capital reserves (albeit a reduced contribution from £75,000 to £50,000), to help facilitate the replenishment of the Council's balances at a time when the Council is facing significant capital investment commitments over the medium-term.
- 3.9 The MTFP Revenue Budget Forecast confirmed that the Council will be able to deliver a balanced Revenue Budget over the next five years that will ensure the delivery of the Council's strategic aims and the maintenance of current services, although the contingency budget will need to be cut to zero and the contribution to capital reserves reduced to around £22,950 by 2025/26.
- 3.10 In order to deliver this, the MTFP highlighted that an annual council tax increase of 1.99% is likely to be required in each of the next four years.
- 3.11 In relation to the Capital Programme Budget, the Plan highlighted that the Council is still facing potentially significant commitments over the medium term of up to £1.353 million in planned future capital budget expenditure.
- 3.12 The funding of this capital investment will undoubtedly see the Council's balances and reserves fall back over the five years, although this will be partly mitigated by the contribution to capital reserves and the ongoing savings on the Revenue Budget.
- 3.13 In overall terms, the Council's current financial position is strong and healthy. The implementation of the MTFP will help the Council to build on these strong foundations and maintain a healthy financial position for at least the next five years, whilst continuing to provide value for money to local taxpayers.
- 3.14 In line with the conclusions of the MTFP, the 2022/23 Revenue Budget will be prepared on the principle of maintaining existing services and staffing levels, with additional provision being made for all unavoidable increases in costs and reductions in income.
- 3.15 Whilst it is unlikely that any cuts will need to be made in order to balance the 2022/23 Revenue Budget, service managers are being encouraged to identify possible efficiency savings in order to help demonstrate the achievement of value for money to local council tax payers.

- 3.16 Any savings that are identified will either be used to put in place a higher level of contingency budget in the Revenue Budget, thereby providing surplus resources to help offset budget pressures in future years, increasing the contribution to capital reserves which had to be reduced in the current year, or utilised in restricting the council tax increase next year.
- 3.17 The 2022/23 Capital Programme Budget will be prepared with key reference to the Council's Asset Management Plan, and it is likely that only essential capital investment will be included in order to continue to safeguard Council balances and reserves.

4.0 2022/23 Budget Setting Framework and Process

- 4.1 The Budget Framework provides the means by which the Council's Medium-Term Financial Plan will be delivered, setting out the overall principles and assumptions for the development of the annual Revenue and Capital Budgets.
- 4.2 The 2022/23 Revenue and Capital Budget will be developed in accordance with the key principles set out in the current Medium-Term Financial Plan, which are:-
1. Continuing to provide all Council services, facilities and events and maintaining current standards of service.
 2. Ensuring continued delivery of the Asset Management Plan via the Capital Programme Budgets.
 3. Safeguarding a prudent level of balances and reserves.
 4. Keeping any increase in council tax as low as possible.
- 4.3 The purpose of the budget setting process is to clearly identify and estimate, in a prudent, transparent, and realistic way, the revenue costs and income associated with running the various services of the Council, and the capital investment that needs to be undertaken in order to deliver the Council's Asset Management Plan.
- 4.4 The aim is to ensure that sufficient budgetary provision is put in place in 2022/23 to ensure that all services can continue to be delivered effectively, that the Council's strategic aims and targets, as set out in the Service Delivery Plan, can be achieved, and that the Council can proactively respond to community needs and priorities.
- 4.5 This needs to be balanced against the financial resources that are likely to be available, bearing in mind the likely cuts to the Council Tax Support Grant funding, council tax base reductions, spending pressures such as pay awards and inflation, capital investment commitments, and the forecast fall in the Council's balances and reserves over the medium to longer term.
- 4.6 The 2022/23 Revenue Budget will be prepared on the principle of maintaining existing services and staffing levels.

- 4.7 Additional budget provision will be automatically made for inflation, pay awards, pension increases and any other unavoidable or committed increases in costs or falls in income, although any significant discretionary investment in services would not be recommended in light of the longer-term budget pressures faced by the Council.
- 4.8 An incremental budgeting process will be used in setting the 2022/23 Revenue Budget which will use the 2021/22 Revenue Budget as the starting point, and make adjustments to take account of the following changes in costs and income between the two years:-
- Unavoidable inflationary increases in running costs;
 - Officer pay awards, salary increments, and pension increases;
 - Any other unavoidable budget growth e.g. new legislative requirements, increased demand for services, contractual increases in costs;
 - Any committed budget growth arising from approved Council decisions;
 - Any approved additional revenue budget requests from service managers or Members;
 - Efficiency savings or budget reductions that have already been achieved and that can be removed from the budget;
 - Any new efficiency savings that have been identified; and
 - Changes in income such as increases in fees and charges for services, cuts to grant funding and increased or decreased demand for services.
- 4.9 The principles of zero-based budgeting will also be applied in setting the 2022/23 Revenue Budget, in order to help identify possible efficiency savings and help demonstrate the achievement of value for money to local council tax payers.
- 4.10 In practice this means in that expenditure budgets and income targets in respect of all service areas will be reviewed and service managers will be expected to justify and provide evidence for existing budget provision, whilst key regard will also be given to actual spending and income in the current year as well as previous years, with a view to identifying under-utilised budgets and possible opportunities for savings and budget reductions, where relevant.
- 4.11 As highlighted earlier, the need to identify and deliver efficiency savings is unlikely to be essential in relation to the 2022/23 budget setting process but continues to be relevant in terms of the longer-term financial outlook for the Council and the importance of demonstrating value for money to local tax payers and keeping future council tax increases as low as possible.

- 4.12 Any surplus resources that are freed up from efficiency savings during the budget setting process will either be used to put in place a higher level of contingency budget in the draft 2022/23 Revenue Budget, thereby providing surplus resources to help offset budget pressures in future years, used to increase the contribution to capital reserves (which had to be reduced in the current year to deliver a freeze on the Town Council Tax) or utilised in restricting the council tax increase next year.
- 4.13 The process of identifying efficiency savings each year helps to demonstrate to local tax payers that the Council reviews its spending, delivers efficiency savings, and reduces budgets where they are regularly underspent, rather than simply relying on an annual increase in the Town Council Tax.
- 4.14 In light of the possibility that council tax referendum principles may be extended to large town and parish councils from next year by the Government, the 2022/23 Revenue Budget is being prepared on the assumption of a maximum 2% increase in the Town Council Tax.
- 4.15 Once the initial draft budget is finalised it will be reported to the various committees, sub-committees and working groups of the Council as set out in the timetable attached at Appendix 1.
- 4.16 In relation to the 2022/23 Capital Programme Budget, the Council's Medium-Term Financial Plan highlights that the Council continues to face some quite significant capital investment commitments in relation to its assets over the coming years, linked to the delivery of the Asset Management Plan, and that the funding of this investment will see a deterioration in the level of the Council's Balances and Reserves.
- 4.17 In light of this, it is recommended that capital investment continues to be closely monitored and controlled in order to protect and preserve Council balances moving forward, and that the 2022/23 Capital Programme Budget is focussed on essential investment only, mainly on capital projects already identified in the Asset Management Plan.
- 4.18 The Medium-Term Financial Plan currently identifies a Capital Programme Budget for 2022/23 of £281,250 and projects include roofing works, replacement works machinery, drainage and repair works to West Park Lakes, computer hardware, continued works in relation to Ash Tree Dieback Disease and footpath and safety surface repairs.

5.0 2022/23 Budget Setting Timetable

5.1 A detailed copy of the 2022/23 Budget Setting Timetable is attached in Appendix 1 to this report. The timetable is summarised below:-

- **September:** Development of the draft 2022/23 Revenue and Capital Budget proposals by Service Managers overseen by the Finance Manager;
- **Late September and Early October:** The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group to review the draft budgets;
- **13th October:** Draft 2022/23 Environment and Recreation Budgets reported to the Environment and Recreation Committees and the draft 2022/23 Capital Programme Budgets reported to the Asset Management Working Group;
- **20th October:** Draft 2022/23 Policy and Resources Budgets reported to Policy and Resources Committee and the Charges Working Group to consider the Council's proposed fees and charges for 2022/23;
- **Mid November:** Budget Consultation Event and the issue of the online budget survey;
- **November and December:** Consideration of feedback from the October committee meetings and budget consultation, and development of the final budget proposals, following the final notification of the Council Tax Support Grant and Council Tax Base figures by Durham County Council;
- **1st December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **19th January:** Final 2022/23 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **26th January:** 2022/23 Precept to be approved by Full Council and Council Tax increase to be declared.

6.0 2022/23 Budget Consultation

6.1 It is important that the Council consults with local taxpayers on its future spending plans and takes those views into account when making spending decisions and setting the annual budgets.

6.2 In previous years, the Council has sought the views of local taxpayers via an online budget survey, promoted via the Council website, local press, social media, and Council newsletter, as well as holding budget consultation events with the Council's Customer Panel group and via public drop in events.

- 6.3 In reality, public engagement with the Customer Panel budget consultation meetings and drop in events have been very poorly attended in recent years, whilst engagement with the online survey has been much better. The consultation meeting and drop in events are very time intensive in relation to officer input.
- 6.4 In light of the very limited resident attendance, in recent years, Members are requested to advise officers if they wish for similar events to go ahead this year. Due to the Covid pandemic, a public consultation event was not held for the 2021/22 budget setting process.
- 6.5 The online budget survey will be published mid-November, and widely publicised on the Council website, in the local press (Newton News and Aycliffe Today), and on the Council's social media channels (Facebook and Twitter).
- 6.6 Feedback from the budget consultation would then be reported back to members to inform the final decisions regarding the setting of the Council Budget in January.

7.0 Progress on Budget Setting Process to Date

- 7.1 The deadline for service managers to finalise and submit their draft budgets for 2022/23 is the 17th September.
- 7.2 The senior officer Performance Management Group and the Chairmen and Vice Chairmen Group are due to meet in late September and early October to review the draft budget proposals, before the draft 2022/23 Revenue and Capital Budgets are presented to Environment, Recreation and Policy and Resources Committees on 13th and 20th October respectively.
- 7.3 Good progress has been made to date in the preparation of the draft budget submissions, and no problems are anticipated in meeting the deadlines set out in the budget timetable.
- 7.4 Early indications are that a balanced 2022/23 Revenue Budget, that maintains current services can be delivered on the basis of a 1.99% increase in the Town Council Tax next year. This is in line with the forecast increase in the Medium-Term Financial Plan.
- 7.5 A draft 2022/23 Capital Programme of Budget of £281,250 has currently been identified.

8.0 Policy Implications

- 8.1 The Budget Framework and Timetable conforms to Strategic Aim 2 in the Council's Service Delivery Plan:

"To manage the Council's finances and assets in a responsible manner".

9.0 Staffing Implications

- 9.1 Service managers are responsible for the development of the budgets for their areas of responsibility.
- 9.2 All service managers have been issued with a copy of the Budget Framework and Timetable as well as detailed guidance notes for setting of the 2022/23 Revenue and Capital Budgets.
- 9.3 Managers will be fully supported by the Finance Manager in the preparation of their draft budget submissions.
- 9.4 The Finance Manager is managing and co-ordinating the budget setting process and the draft budgets will be agreed by the senior officer Performance Management Group before being reported to Members.

10.0 Financial Implications

- 10.1 The financial implications for the Council are fully set out in the report

11.0 Crime and Disorder Implications

- 11.1 None.

12.0 Equal Opportunities Implications

- 12.1 None.

13.0 Environmental and Climate Change Implications

- 13.1 None.

14.0 Risk Assessment

- 14.1 A risk assessment is not necessary at this early stage of the budget setting process.
- 14.2 A full risk assessment was included in the Medium-Term Financial Plan and a further risk assessment will be included prior to the setting of the 2022/23 Precept in January, confirming the robustness of the budget estimates and the adequacy of the proposed levels of balances and contingencies.

15.0 General Data Protection Regulations (GDPR)

- 15.1 There is not any personal or sensitive data required for this proposal which may have any implications for GDPR.

16.0 Recommendations

- 16.1 Members are requested to advise Officers if they wish for the budget consultation event to be held as part of the 2022/23 budget process.
- 16.2 It is recommended that the budget framework and timetable for the setting of the Council's 2022/23 Revenue and Capital Budgets is approved.