

# 2023/24 BUDGET SETTING FRAMEWORK AND TIMETABLE

## AGENDA ITEM NO. 8

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**MEETING:** POLICY AND RESOURCES

**DATE:** 14<sup>TH</sup> SEPTEMBER 2022

**REPORT BY:** FINANCE MANAGER

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### **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 2023/24 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 2023/24 Revenue and Capital Budgets

2.2 A reminder of the key issues, as they are relevant to the 2023/24 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 2022/23 to 2026/27 and reviewed the impact of the current economic difficulties and cost-of-living crisis on the Council's finances.

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 2023/24 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 remains in good financial health at the present time with a balanced Revenue Budget in place for the 2022/23 financial year and healthy level of balances and reserves, although the current economic difficulties and cost-of-living crisis are beginning to have a significant adverse impact on the Revenue and Capital Budgets.

- 3.6 However, these are extraordinary times and the adverse inflationary impacts on the Council's Revenue and Capital Budgets will be severe moving forward, and unlike anything seen in recent times.
- 3.7 This difficult and volatile financial situation has created a number of substantial unbudgeted financial pressures and this will mean that the setting of the 2023/24 Revenue Budget will be extremely challenging for a number of reasons including:-
- The cost-of-living crisis and its impact on the economy and Government spending and taxation;
  - The substantial pressures on expenditure budgets from the very high rates of inflation, particularly on gas, electricity, fuel, insurance costs but also generally on goods and services and capital works;
  - The proposed 2022/23 Local Government Pay Award put forward by the National Employers which, if agreed, will mean an additional £100,000 unbudgeted staffing costs in 2022/23;
  - The further impact of the 2023/24 Local Government Pay Settlement, which is currently unknown.
- 3.8 Looking ahead, the medium-term outlook for the Councils Revenue Budget over the next five years through to the middle of the decade is therefore extremely challenging, with the impact on the 2023/24 budget setting looking particularly severe.
- 3.9 The strong current financial position of the Council means that it is starting from a strong foundation, and is better placed than many other town councils in dealing with the substantial financial challenges it faces linked to the current economic difficulties and cost-of-living crisis.
- 3.10 The 2022/23 Revenue Budget continued to maintain surplus revenue budget resources via the contingency budget and a contribution to capital reserves, to help offset any unforeseen financial pressures and facilitate the replenishment of the Council's balances at a time when the Council is facing significant capital investment commitments over the medium-term.
- 3.11 In overall terms, the MTFP Revenue Budget Forecast, reported in July, delivered a balanced budget in line with the key principles of maintaining services and ensuring a balanced Revenue Budget and safeguarding a prudent level of balances and reserves.
- 3.12 However, in order to deliver this, the MTFP highlighted that higher-than-expected annual council tax increases, particularly in the 2023/24 financial year, were likely to be required in each of the next four years if no efficiency savings are identified or budget reductions made. These indicative increases are summarised below:

<b>Year</b>	<b>% increase</b>
2023/24	10.00%
2024/25	4.57%
2025/26	3.10%
2026/27	2.79%

- 3.13 Since the MTFP was approved in July the financial situation has worsened with a proposed 2022/23 Local Government Pay Award put forward by the National Employers of an increase of £1,925 on all NJC pay points 1 and above. The financial impact of this proposal is an additional £100,000 of unbudgeted expenditure in the current financial year, with the pay award for 2023/24 still to be negotiated.
- 3.14 In addition to this, Durham County Council (DCC) Officers had previously advised that there would be an increase in the Local Council Tax Support Grant (LCTSG) next year, and a 5% increase was built into the MTFP. However, DCC Officers have recently advised that this will no longer be the case and that the LCTSG is likely to be frozen at the current level which would result in a £10,000 reduction in grant. However final confirmation of this will not be received until later in the year, and there is therefore still the risk that this funding could be reduced further.
- 3.15 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 £1.556 million in planned future capital budget expenditure.
- 3.16 The funding of this capital investment will undoubtedly see the Council's balances and reserves fall back significantly over the five years, although this will be partly mitigated by the contribution to capital reserves if this can be maintained in the Revenue Budget.
- 3.17 A review of capital expenditure priorities has been undertaken and reported to this meeting with a view to restricting and controlling expenditure in the current year, while the development of future year's capital budgets will continue to be closely scrutinised.
- 3.18 In line with the approved principles of the MTFP, the 2023/24 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 such as pay awards and inflation.
- 3.19 However, the need to identify efficiency savings is likely to be unavoidable in balancing the 2023/24 Revenue Budget, with the level of saving dependent upon how much the Council wishes to increase the Town Council Tax by next year. Delivering efficiency savings also continues to be important in light of the longer-term budget challenges faced by the Council, as well as demonstrating value for money to local taxpayers.
- 3.20 As a starting point in the budget setting process, all Budget Managers have been asked to identify savings in their budgets of 5% to 6% in advance of a steer from the Council as to what an acceptable increase in the Town Council Tax might be.
- 3.21 The 2023/24 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 2023/24 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 2023/24 Revenue and Capital Budget will be developed in accordance with the key principles set out in the current Medium-Term Financial Plan as highlighted in paragraph 3.4
- 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 2023/24 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 substantial financial challenges being faced by the Council, including possible cuts to the Council Tax Support Grant funding, the cost-of-living crisis and spending pressures including pay awards, significant inflationary increases in running costs and in particular utility costs and insurance costs, capital investment commitments, and the significant forecast fall in the Council's balances and reserves over the medium term.
- 4.6 The 2023/24 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 unavoidable inflation, pay awards, pension increases and any other unavoidable or committed increases in costs or falls in income.
- 4.8 An incremental budgeting process will be used in setting the 2023/24 Revenue Budget which will use the 2022/23 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 previously approved Council decisions;
  - Any approved additional revenue budget requests from service managers or Members, although these have been discouraged due to the current financial situation;

- 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 2023/24 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.
- 4.11 The process of identifying efficiency savings will be essential in helping to balance the Revenue Budget this year and also 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.
- 4.12 There is currently no indication of the Government's intentions with regard to town and parish council referendum limits for the period 2023/24 onwards.
- 4.13 It will be assumed for the purpose of the 2023/24 budget setting process that referendum principles will *not* be applied to town and parish councils, and that the Council will be free to increase the Town Council Tax by as much as it considers prudent and appropriate to help offset the financial pressures created by the cost-of-living crisis.
- 4.14 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.
- 4.15 In relation to the 2023/24 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 significant deterioration in the level of the Council's Balances and Reserves.
- 4.16 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 2023/24 Capital Programme Budget is focussed on essential investment only, mainly on capital projects already identified in the Asset Management Plan.

4.17 The Medium-Term Financial Plan currently identifies a Capital Programme Budget for 2023/24 of £238,750 and projects include roofing works, replacement works machinery, computer hardware, continued works in relation to Ash Tree Dieback Disease and footpath and safety surface repairs.

## **5.0 2023/24 Budget Setting Timetable**

5.1 A detailed copy of the 2023/24 Budget Setting Timetable is attached in Appendix 1 to this report. The timetable is summarised below:-

- **Early to Mid-September:**
  - Meetings with the three political groups to discuss the 2023/24 budget and the financial challenges being faced and obtain a steer on what level of precept and council tax increase would be acceptable and the approach to identifying any savings to balance the budget.
  - Development of the draft Revenue and Capital Budget proposals by Service Managers and the Finance Manager.
  - Special Policy and Resources Committee to consider proposed fees and charges increases for 2023/24.
- **Late September and Early October:** Performance Management Group and Chairmen and Vice Chairmen Group to review the draft budgets.
- **19<sup>th</sup> October:** Draft Environment and Recreation Budgets reported to Environment and Recreation Committees and draft Capital Programme Budgets reported to the Asset Management Working Group;
- **26<sup>th</sup> October:** Draft Policy and Resources Budgets reported to Policy and Resources Committee;
- **Mid November:** Issue of the online budget survey;
- **November and December:** Consideration of feedback from the October committee meetings and the budget consultation, and development of the final budget proposals, following the final notification of the Council Tax Support Grant and Council Tax Base figures;
- **7<sup>th</sup> December:** Budget update report to Policy and Resources Committee setting out details of the above, if required;
- **18<sup>th</sup> January:** Final 2023/24 Revenue and Capital Budgets to be reported to and approved by Policy and Resources Committee;
- **25<sup>th</sup> January:** 2023/24 Precept to be approved by Full Council and Council Tax increase to be declared.

## **6.0 2023/24 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. Prior to the Coronavirus pandemic budget consultation events were held with the Council's Customer Panel group and via public drop in events.
- 6.3 As reported last year, in reality, public engagement with the Customer Panel budget consultation meetings and drop in events have been very poorly attended, whilst engagement with the online survey has been much better. In fact the responses for the 2022/23 budget (67 responses) were significantly up on the responses received for 2021/22 (24 responses). The consultation meeting and drop in events are also very time intensive in relation to officer input.
- 6.4 In light of the very limited resident attendance, in recent years, Members agreed last year for these events not to go ahead.
- 6.5 It is therefore proposed that these events do not go ahead again this year.
- 6.6 It is proposed that an online budget survey will be published in mid-November, and widely publicised on the Council website, in the local press, and on the Council's social media channels (Facebook and Twitter) as well as hard copies being made available at the library, community centres, the two secondary schools and other community venues in the town.
- 6.7 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**

- 6.8 Meetings with the three political groups to discuss the 2023/24 budget, the financial challenges being faced and to obtain a steer on what level of precept and council tax increase would be acceptable along with the approach to identify any required savings to balance the Revenue Budget will be held in early to mid-September.
- 6.9 The deadline for service managers to finalise and submit their draft budgets for 2023/24 is the 16<sup>th</sup> September.
- 6.10 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 2023/24 Revenue and Capital Budgets are presented to Environment, Recreation and Policy and Resources Committees on 19<sup>th</sup> and 26<sup>th</sup> October respectively.

- 6.11 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.
- 6.12 A draft 2023/24 Capital Programme of Budget of £238,750 has currently been identified and this will be reviewed with budget managers.

## **8.0 Policy Implications**

- 6.13 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**

- 6.14 Service managers are responsible for the development of the budgets for their areas of responsibility.
- 6.15 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 2023/24 Revenue and Capital Budgets.
- 6.16 Managers will be fully supported by the Finance Manager in the preparation of their draft budget submissions.
- 6.17 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**

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

## **11.0 Crime and Disorder Implications**

- 6.19 None.

## **12.0 Equal Opportunities Implications**

- 6.20 None.

## **13.0 Environmental and Climate Change Implications**

- 6.21 None.

## **14.0 Risk Assessment**

- 6.22 A risk assessment is not necessary at this early stage of the budget setting process.

6.23 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 2023/24 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)**

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

#### **16.0 Recommendations**

6.25 It is recommended that:-

- (i) the budget framework and timetable for the setting of the Council's 2023/24 Revenue and Capital Budgets is approved;
- (ii) The proposal that in person budget consultation meetings are not held as part of the 2023/24 budget process is agreed.

**Appendix 1  
2023/24 Budget Setting - Reporting Timetable**

<b>Working Group or Committee</b>	<b>Meeting Date</b>
<b>Performance Management Group</b>	
Managers to agree the initial draft 2023/24 Revenue and Capital Budgets for reporting to Committees during October.	Thursday 22 <sup>nd</sup> September 2022
Follow up meeting, if required, to agree the final 2023/24 Revenue and Capital Budgets for reporting to the Policy and Resources Committee on 18 <sup>th</sup> January 2023.	Thursday 8 <sup>th</sup> December 2022
<b>Chairman's Group / Political Groups</b>	
Initial meetings, as required, to discuss the principles for setting 2023/24 Revenue and Capital budgets and discuss areas for consideration and saving/spending proposals.	Week Ending 18 <sup>th</sup> September 2022
Meetings, as required, to consider the draft 2023/24 Revenue and Capital Budgets and agree the figures for reporting to Committees in October.	Week Ending 2 <sup>nd</sup> October 2022
Meetings, if required, to consider and agree the final 2023/24 Revenue and Capital Budget to be reported for approval at the Policy and Resources Committee on 18 <sup>th</sup> January 2023.	Week Ending 18 <sup>th</sup> December 2022
<b>Budget Consultation Event and Launch of the Budget Survey</b>	
The online budget survey will be launched and publicised via the local press and social media on the 2023/24 draft Revenue and Capital budget.	Week Ending 13 <sup>th</sup> November 2022
Publication of online budget survey, with hard copies made available at community centres, libraries, schools etc.	Week Ending 13 <sup>th</sup> November 2022
<b>Policy and Resources Committee</b>	
To consider the proposed increases to fees and charges for services for 2023/24.	September
To approve the 2023/24 Budget Framework and Budget Setting Timetable and agree the format of the 2023/24 Budget Consultation.	Wednesday 14 <sup>th</sup> September 2022
To consider the draft 2023/24 Policy and Resources Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 26 <sup>th</sup> October 2022
Meeting, if required, to consider recommendations from the previous round of meeting and any further developments in the setting of the 2023/24 Revenue and Capital Budget.	Wednesday 7 <sup>th</sup> December 2022
To consider and approve the final 2023/24 Revenue and Capital Budget proposals including Feedback from the budget consultation process.	Wednesday 18 <sup>th</sup> January 2023
<b>Environment Committee</b>	
To consider the draft 2023/24 Environment Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 19 <sup>th</sup> October 2022
<b>Recreation Committee</b>	
To consider the draft 2023/24 Recreation Revenue and Capital Budgets and provide feedback and proposed amendments to the Chairman and Vice Chairman.	Wednesday 19 <sup>th</sup> October 2022
<b>Asset Management Group</b>	
To consider the draft 2023/24 Capital Programme Budget and to make recommendations to the Policy and Resources Committee including any proposed amendments.	Wednesday 12 <sup>th</sup> October 2022
<b>Full Council</b>	
To consider and approve the final 2023/24 Revenue and Capital Budget and to set the 2023/24 Precept and Council Tax.	Wednesday 25 <sup>th</sup> January 2023

