

Corporate Policy & Resources Committee

11 July 2022



Title	Briefing note - 2023/24 Budget Setting Process
Purpose of the report	To note and approve the report
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Community Affordable Housing Recovery Environment Service Delivery
Recommendations	The Committee is asked to A - note the report B – approve the timetable set out in section 10 below. Regarding the process for preparing the 2023/24 budget and the challenges the Council will be facing with the impact of the Cost of Living crisis (see previous report) which started in 2022/23 and indicates that the Council is facing a deficit of approximately £1.2m in 2023/24 that needs to be funded, in order to deliver a balanced budget for Council to approve at their February 2023 meeting.
Reason for Recommendation	The 2022/23 budget setting process was the first to be completed under the Committee System of Governance since 1990, and whilst Council voted through a budget, there were a number of key learning points that need to be developed for the 2023/24 Budget Setting process as detailed below, noting that this report deals with the high level issues, not the micro detail.

1. Summary

- 1.1 The 2022/23 Budget setting process was the first undertaken by the Council with the new Committee Structure in the last twenty years, with the budget approved by Council on 24 February 2022.
- 1.2 As part of officers' normal review process, the Finance Team asked for feedback from Councillors, senior officers, and budget managers, which has been incorporated into the points highlighted in the report.
- 1.3 This report sets out the issues and proposed timetable for the 2023/24 budget setting process, which includes streamlining the reporting process, by aligning

all service plans to the current Corporate Plan and requesting that growth and savings bids are reflected in each cost centres service plan.

- 1.4 By combining these activities, budget managers and officers will spend less time form filling and each committee will have more time to consider the implications on their area of responsibility, prior to the suggested deadline of 15 September, shown in section 10 below.
- 1.5 The Finance Team is looking to implement a new budget control system, utilising Integra which will reduce the time taken to collate a whole of Council budget.
- 1.6 This will enable Senior Officers to complete the budget setting process and submit the first draft of the 2023/24 Budget to all committees by Monday 5 December. Providing Councillors with more time to consider the budgets ahead of their relevant committee meetings in January 2023.
- 1.7 Officers are forecasting that the cost of living crisis will adversely impact on the Council's 2023/24 balanced budget by approximately £1,235k and therefore, Council through the committees will be looking to implement a mixture of some or all of the following:
 - (a) Cashable Root and Branch savings
 - (b) Digital Transformation – for example, automating and standardising processes.
 - (c) Procurement savings
 - (d) Moratorium on growth FTEs except for statutory requirements or where externally funded
 - (e) Use of reserves in a planned short to medium term way to bide time for savings to be delivered
 - (f) Collaborative working with other Councils and partners
 - (g) Energy efficiency investments which will reduce revenue running costs over time
 - (h) Delivering the Council's affordable housing targets easing pressures on the Council's Revenue Budget

The above list is not exhaustive other options including generating increased income streams should be considered.

2. Key issues

- 2.1 Whilst Council approved the 2022/23 Budget, during the process there were several observations and feedback for development with the 2023/24 budget setting process.
- 2.2 One of the issues appear to be around involvement of each Committee and the division of responsibilities, as we evolved from the Cabinet to Committee and having sufficient time to review the budget for each committee.
- 2.3 The changes to the timetable as mentioned above should dramatically improve the time available to Councillors to input into the budget and review the outcomes.
- 2.4 There were several other matters, which officers have considered and amended our processes, with some requiring the approval of this committee

to implement, as part of the evolution of the budget setting process for 2023/24, as set out below.

3. Options analysis and proposal

Service plans are to be linked to the Corporate Plan

- 3.1 Budget Managers will be required to align their service plans, with the Council approved Corporate Plan, this will include submitting all relevant growth and savings bids to support the aspirations included in their plan.
- 3.2 In the absence of a 2023/24 Corporate Plan, Budget Managers are asked to work with the current approved 2021-2023 Corporate Plan.
- 3.3 The Transformation and Finance Teams have been tasked with working more closely together to assist both Budget Managers and Committees by becoming critical friends providing full support and robust questioning of Budget Managers at the Budget Setting process and with outturn performance throughout the year.
- 3.4 As a result, they are implementing the process for completing services plans, growth and savings bids together, as highlighted in 3.1 above.
- 3.5 Growth plans will then be prioritised based on their links to the deliverables of the 2021-2023 Corporate Plan.

Last three years' budgets

- 3.6 An underspend is just as challenging as an overspend, as it ties up budget funding that could provide a better return for the Council if utilised elsewhere.
- 3.7 The Finance Team will review the last three years' budgets for the following scenarios:
 - (a) Budget allocated and there has been little, or no actual expenditure incurred.
 - (b) Actual expenditure incurred where there has been no budget allocated.

Once the review has been carried out, MAT will consider its next steps, as part of the process to reduce the forecast funding gap of £1,195k for 2023/24.

- 3.8 The Finance Team will also consider why this is happening and consider how other districts & boroughs are setting their budgets and what evolutionary changes to Spelthorne Borough Council's should be implemented and or recommend to council for approval.

Savings

- 3.9 Due to the financial pressures impacting on the Council in 2022/23 and beyond because of the cost of living and inflationary crisis, one of the options being considered is to request that each Committee is requested to deliver a fixed saving, from their budgets, this could be via improved cost control or expanding services by increasing prices, getting customers to buy more often and increasing the number of customers, the latter two being particularly relevant for fees and charges. Effectively each Committee will be set a cash limit for their Budget.
- 3.10 One impact of this would be to implement a policy of no net growth bids and if growth bids are required each committee will need to fund this growth from

savings or increased income from existing budgets, after the net savings have been achieved.

- 3.11 This will involve close liaison with the Corporate Policy & Resources Committee, the Chair and Vice Chair of Corporate Policy and Resources and Senior Officers.

Purchase order approval

- 3.12 There have been a number of instances where a number of purchase orders being issued on accounts where the budget has already been exceeded, and there were no notes to advise why.
- 3.13 The Finance Team are looking at rephrasing some of the budgets, without increasing the actual budgeted spend, together with the various exception reports available within Integra, to flag up to Budget Managers and Group Heads, when budgets have been exceeded, this should lead to greater control of budgets and an improved budget setting process.

Cash Limits

- 3.14 The Finance Team will review the current budget process, to provide Budget Managers and Group Heads, some more flexibility on how they set their budgets, and to provide them more control over allocating their budget rather than going for an annual cost plus approach.
- 3.15 In providing more flexibility to Group Heads and Budget Managers it is envisaged that the Council will eliminate some of the items mentioned above, i.e., actuals with no budgets, budgets without any spend and overspending budgets, by using the cost plus approach.

Cashable Savings

- 3.16 The Transformation and Finance Teams working closer together have been tasked with delivering clearly identifiable cashable savings over the coming three to five years.
- 3.17 This will start by the two teams presenting a plan of areas of focus on, (the low hanging fruit) for MAT to review and Council to approve.
- 3.18 One area is the centralised purchasing of consumable items, such as, printing, so that approved orders as sent direct to the supplier for delivery, without having to go through any one department, noting that we will still require the process to pass through the proper procurement procedures and have a system of review in place, to ensure the Council receives best value for money. This would also apply to our telephone costs.

Deadlines

- 3.19 Officers are currently working to have the 2023/24 final draft budget completed and approved by MAT and Group Heads by the first week of December, aiming to circulate same to all Councillors during the week commencing 5 December.
- 3.20 This should go some way to alleviating the pressure on Committees and ensure that they have over a month to review their budgets, ahead of the January Committee meetings.

Feedback from Group Heads

- 3.21 Concern was expressed about the pressures on obtaining funding, particularly from external sources, for projects if the Council were looking to commence and finalise the budgets earlier in the cycle. The Committees and Officers will need to factor this in.
- 3.22 It was felt that the RAG system was not as effective as intended as most committees accepted officer recommendations and alternative solutions that incorporate alignment to the Corporate Plan are being considered ahead of submitting reports to the Corporate Policy & Resources Committee later in the year.
- 3.23 The process of submitting growth bids could be refined and is being considered by officers.
- 3.24 There needs to be stronger communication between budget managers particularly when relying on other department for services and costs. Again, officers will look to improve this process as part of the micro detail.
- 3.25 Concerns over the standardisation in the detail of growth bids, noting that some committees required more information, others less, therefore, the Chair of CPRC and officers will discuss this with a view to setting a standard report template for all committees.
- 3.26 Officers were required to review the growth bid process, as it appeared to indicate that those bids received after the deadline received a less rigorous review process, than those received before the first deadline. For officers to achieve the timeline suggested below and ensure that the committees have adequate time to review their costs centres, a strict adherence to the deadlines will be implemented, with all late submissions requiring both the Chair of Corporate Policy & Resources and Chief Executive approval. Further by aligning all growth bids to the service plans and the priorities of the Corporate Plan, officers believe that this issue will be resolved.
- 3.27 The bid process needs to be refined to include a ranking system from the outset, and it is felt that by aligning these bids with the Corporate Plan this will eliminate most of the issues experienced in the past.
- 3.28 A number of Councillors and Group Heads suggested that a different reporting structure was required for those growth bids that are being or receiving funding to be cost neutral and those that are being imposed as part of a statutory requirement. The Finance Team will consider this and report back to The Chair of Corporate Policy & Resources and the Chief Executive.

De minimis limits

- 3.29 A number of Councillors raised the point about small bids and why were they being asked to approve such small amounts. On the basis that Group Heads and Budget Managers know their business units, any growth bids under £5k and not involving the recruitment of an FTE or part thereof, should be dealt with from existing budgets, and service plans should reflect this.
- 3.30 Please note if it just involves a staff restructure with no material impact on annual costs, e.g., 6 hours given up by employee one, and 8 hours given to employee two, with a net increase in costs of £2,000, all the budget managers will be required to do is submit a staffing report to MAT, for approval, in the normal way.

4. Financial implications

- 4.1 There are no financial implications based on any of the points mentioned above beyond those set out above.

5. Risk implications

- 5.1 Whilst the budget setting process will not carry any financial risks, the Council must approve a balanced budget and the issues mentioned above around the cost of living crisis will require some difficult decisions for Council, in order to achieve this.

6. Legal implications

- 6.1 In accordance with the Council's legal obligations, they must approve a balanced budget for 2023/24.

7. Other considerations

- 7.1 None, the final 2023/24 budget setting process will be discussed with the Chair of Corporate Policy & Resources and our Constitution amended if required.

8. Equality and Diversity

- 8.1 Budget Managers would need to consider whether these developments require an equality impact assessment to be undertaken, particularly where savings may be requested.

9. Sustainability/Climate Change Implications

- 9.1 There is no impact on sustainability or climate change because of the above suggestions.

10. High level timetable for implementation

- (a) All Councillor Budget briefing 21 June 2022.
- (b) MAT agree inflation parameters for fees and charges, pay and costs by 15 July 2022 and in view of the cost of living crisis, Officers are factoring a final review in February 2023, see item (x) below.
- (c) Throughout the 2023/24 budget setting process MAT will be liaising with the Chair of Policy and Resources.
- (d) MAT, Group Heads, Budget Managers, Transformation and Finance commence the process of completing service plans and growth bids on 1 July 2022, for submission to completion by 15 September 2022, this will include liaising with the relevant Committee Chair, Vice Chair and Members as appropriate.
- (e) Unison provide details of the proposed pay claim by end of August.
- (f) Transformation and Finance review the service plan and raise queries and points of clarification between 15 and 30 September 2022 and final service plans shared with MAT.
- (g) 1 October to 15 October 2022, Finance produce the first draft of the 2023/24 Budget for review with the Finance Director.
- (h) 16 October 2022, Draft 2023/24 Budget shared with MAT
- (i) 25 October 2022, Draft 2023/24 Budget shared with Group Heads

- (j) 1 November 2022, meeting with MAT+ to discuss draft budget and agree plans for the way forward to agree a balanced budget.
- (k) 4 to 14 November 2022, meetings with Budget Managers to discuss their service plans and agree outcomes.
- (l) 18 November final draft budget submitted to Finance Director for review
- (m) 23 November final draft budget submitted to MAT & Group Heads for review
- (n) 29 November – MAT and Group Head meet and approve draft budget.
- (o) 5 December 2022 final draft budget submitted to Councillors.
- (p) Opportunities for Committee members to ask questions through the Chair.
- (q) 5 January 2023 – Neighbourhood Services & Enforcement Committee
- (r) 10 January 2023 – Environment & Sustainability Committee
- (s) 12 January 2023 – Economic Development Committee
- (t) 16 January 2023 – Corporate Policy & Resources Committee
- (u) 17 January 2023 – Community Wellbeing & Housing Committee
- (v) 19 January 2023 – Administration Committee
- (w) 20 to 25 January 2023 – Final adjustments by Finance Team to the 2023/24 budget
- (x) 26 January 2023 – Chief Finance Officer to review
- (y) 30 January 2023 – MAT to review final 2023/24 Budget and review inflation assumptions, before reports issued to Group Heads and Councillors on 7 February
- (z) 20 February 2023 - Corporate Policy & Resources Committee
- (aa) 23 February 2023 – Council meeting

Background papers: 2022/23 Budget Pressures Report (this report is also presented at this Committee meeting).

Appendices: None