

Budget process and strategy 2022/23 to 2026/27 (As approved as part of the MTFP in July 2021)

By incorporating the Budget Strategy within the Medium Term Financial Plan the Council ensures the two parts of the budget process are seamless and consistent. The proposed budget strategy is shown below:

Proposed 2022/23 Budget Strategy

1. This proposed Budget Strategy explains the approach to setting a balanced budget for 2022/23 in accordance with the principles set out in the Medium Term Financial Plan. Through the MTFP updates, corporate issues have been addressed that will alter the future years position from the budget that was approved on 23 February 2021.
2. To address future deficits, savings options have been approved for 2021/22 and for future years. Savings will also be sought to provide funding for budget pressures to ensure the Council Plan priorities are delivered. Members will be asked to consider the range of options for savings put forward and which are to be consulted on. These may include critically evaluating the impact of expenditure on the achievement of council priorities and as a result:
 - 2.1. increasing income
 - 2.2. reducing costs by improving service efficiency including the use of assets
 - 2.3. reduction of costs through cutting overheads
 - 2.4. alternative service delivery mechanisms
 - 2.5. ceasing to deliver services
3. Leadership team will use the following approach to inform the proposals:
 - 3.1. business as usual **budget monitoring**, ensuring value for money in all transactions during the year. Identifying issues and agreeing action plans to address issues early to prevent significant financial variances.
 - 3.2. using the **Commissioning Strategy** to prioritise services and spend
 - 3.3. **priority based budgeting** to clearly link business planning and budgeting and focus on Council Plan priorities.
 - 3.4. review of **procurement strategy & contract management**.
 - 3.5. further delivery of the **Customer Connect** programme
 - 3.6. review of **human resources** policies and procedures, particularly around temporary and agency staff, expenses, sickness and absence management
 - 3.7. **Commercial strategy**: a Commercial Strategy is being developed. The Council will provide the right services, to the right markets, at the right time and at the right price.
 - 3.8. working with **partners**

- 3.9. Reviewing potential use of **alternative funding** to delivery Council priorities, including new Government initiatives which may duplicate planned Council spend, or more focussed use of earmarked reserves.
4. The detailed service and capital budgets will be reviewed to ensure that these remain reasonable, with reference to the 2020/21 out-turn, monitoring during 2021/22 and the Service Managers' knowledge of any changes due to take effect over the budgeting time frame.

General Fund Services

5. The overall General Fund Service budget strategy is that:
 - 5.1. budgets will be updated by Finance for known, externally-driven changes to salaries including inflation; they will also update capital charges and recharges;
 - 5.2. all establishment changes must be treated as growth bids or savings and forwarded to Human Resources Committee at the appropriate time;
 - 5.3. minor virements and cost neutral changes (less than £10k gross) can be made to base budgets without bid documents;
 - 5.4. changes identified as part of the Customer Connect programme and savings identified as part of the corporate prioritisation exercise will be worked up into budget amendments as part of the budget process;
 - 5.5. all other changes, including those that are statutory or demand led will need to be brought forward for consideration as part of a budget amendment process, signed-off by the Lead Officer and Portfolio Holder.
6. More detail of the approach is given below:
 - 6.1. Salary budgets are increased by known incremental advances. From April 2022 2% will be included for inflationary pay awards. A 4% reduction will be allowed for vacancies and turnover on all salary cost centres except for rota-ed services; posts which are currently vacant will be budgeted at the scale mid-point; rates and thresholds for PAYE, NI and pension deductions will be updated.
 - 6.2. No allowance will be made for inflation in expenditure budgets unless contractually committed or unavoidable (e.g. energy, fuel and utility bills); the current inflation assumptions built in to the base will be reviewed and updated where necessary. Where a contract is due for re-tendering a review of the appropriate inflation rate and budget should be undertaken and a budget pressure bid prepared where necessary.
 - 6.3. Future year's income base budgets already have inflationary growth built into them. Where this cannot be met or managed through reductions in expenditure, this will be identified as a budget pressure.
 - 6.4. Fees and Charges need to be consistent with income budgets. This process must involve:
 - 6.4.1. review of 2020/21 out-turn and any relevant multi-year trends;
 - 6.4.2. review of current 2021/22 budget position and the likely impact of Covid-19;
 - 6.4.3. review of future year income budget; and
 - 6.4.4. assessment of the options for any changes to fees (structures as well as tariff) and the impact of this on the income budget.

- 6.4.5. For any service area where income budgets are £100k or more per annum, this process will be documented. All services must review the potential for new fees.
- 6.4.6. Fees and Charges must be consistent with the Council's Corporate Charging Policy as approved in July 2017.
- 6.5. Existing base budgets will be challenged to identify savings that can be released to offset projected budget deficits.
- 6.6. Budget Pressures: the delivery of the Council Plan requires constant review of budgets to ensure funding is available to deliver the Council Plan priorities. Any increases to expenditure or decreases to income base budgets (excluding 1 and 2 above) will be either matched corporately by a compensating saving or will need to be submitted as budget pressures. The de-minimis is set at £10k.
- 6.7. No growth bids will be accepted unless growth is to be funded from earmarked resources.
- 6.8. Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund recurring expenditure.
- 6.9. Effective consultation will be carried out in accordance with the Corporate Consultation strategy.
- 6.10. Schemes which attract external funding need to be considered with reference to the Council Plan and capacity to deliver.
- 6.11. The Budget assumes a £5 Council tax increase annually from April 2022 onwards. The decision on the actual Council tax each year will be taken by Council in February and will be influenced by current Government policy and the influence of this on local government funding.
- 6.12. The working balance contributions be reviewed against the current long-term target minimum General Fund working balance of £1,500,000 by 31 March 2022; any surplus over this target should be transferred to the General Reserve.

Capital

- 7. The approach to setting the capital programme will be as follows:
 - 7.1. A longer-term view will be taken of spending needs to balance priorities and resources more evenly over the life of the capital programme and to reflect the Property and Land Management Strategy. The Council's property advisors will be consulted as to the on-going maintenance programme with the aim being to develop a 10 year programme for recurring capital costs.
 - 7.2. It is assumed that no new Bids will be considered unless they are invest to save or unavoidable. Schemes which attract external funding should be considered in the light of capacity to deliver, with resources identified to deliver these and need to be prioritised with reference to the Council Plan.
 - 7.3. Capital Bid documents will be required prior to a scheme being accepted as part of the Capital Programme. These are to be signed-off by the relevant Portfolio Holder and will be prioritised by Members as part of developing the 2022/23 to 2030/31 Capital Programme.

Bids will be considered alongside future expected spend on major projects, as indicated in the capital programme.

- 7.4. Existing schemes within the programme will also be reviewed with reference to their progress and any external funding restrictions with the assumption that all schemes should be deferred by at least 12 months.
- 7.5. Capital receipts will only be committed once they have been received. Although there are known sources of capital receipts (e.g. South Lakes Housing VAT Shelter/Right to Buy receipts), future aspirations will take into account the resources required to support unavoidable recurring costs. Right to Buy receipts will be earmarked for social housing to replace the units sold that generated the receipt.

Budget Process

- 7.6. The approach to the review of the current-year budget, based on budget monitoring, will continue. The 5 year position will be set out as part of the process.
- 7.7. Regular budget reports will be provided to inform Members on the emerging issues. This will integrate information from review of base budgets, higher level factors (such as the grant settlement) represented in the MTFP and the corporate savings process.
- 7.8. Following approval of these proposals, Lead Officers, managers and finance staff will work together on the preparation of budgets based on the strategy set out (ensuring consultation with the relevant Portfolio Holders). Work will continue to be undertaken on refining the options for reducing the deficits currently projected and inclusion in the future Budget reports.