

## Outline of the Budget and Medium Term Financial Planning Process

### Reasons for Producing Budgets

Budgets are required to plan for forthcoming activities in meeting the objectives of the Council as a whole. Legally, the Council is required by legislation to set its budget (balanced funding/spend) and the associated Council Tax by 11<sup>th</sup> March each year.

The budget represents the Council's plans in financial terms and acts as a method of measuring performance against the achievement of these objectives. Variances from the budget are highlighted to Senior Management on a monthly basis and Members Quarterly.

Budgets assist in bringing together views, opinions and decisions of all stakeholders such as Members, Local Residents, Focus Groups and the Business Community.

### The Budget Process

The budgets for the next financial year are compiled in the 'budget process' that runs mainly from September to March each year (some preparatory work / forecasts are prepared from July).

Day to day responsibility for setting budgets and financial performance monitoring may be delegated to appropriate line managers/senior officers, as appropriate.

A brief summary of the stages involved in the budget process are as follows:

- **Review / Formulation of Budget Process**

Following a review of the previous year's process, the outline process to be followed is formulated / agreed by the Corporate Management Team and Cabinet.

- **Consideration of Policy Changes**

Planned changes to services (provisionally approved during the previous budget process) are issued for confirmation. Budget Managers are also required to consider any unavoidable increased costs (arising from, for example, legislative or demand led changes e.g. reduced income) and targets for budget savings. They will be aware of the objectives of the Council as a whole within the Corporate Plan and should therefore be looking to incorporate changes or additions into their future plans.

As grant and other income levels are reducing, where increased costs are unavoidable then managers should identify compensatory savings. Where savings are identified they must be accompanied by a robust implementation plan. Robust business case templates will have to be submitted to Cabinet and CMT for all Policy Change submissions (Revenue and Capital).

- **Capital Programme**

Managers are asked to review provisionally approved schemes (within the medium term capital programme) and submit new / revised capital appraisal forms for consideration, and prioritisation within available resources, by CMT, the Asset Strategy Steering Group and Cabinet.

- **Consultation**

To help elected members set the council budget and priorities we consult residents every year on spending and savings options in line with the council priorities. We also conduct a resident's survey to hear what people think about Tamworth as a place to live.

Usually these are separate consultations, however, to avoid duplication and make an efficient use of resources, this year we intend to combine these consultations into one 'Tamworth Conversation' in late summer/early autumn.

In order to benchmark with wider local government, we are proposing to use the Local Government Associations recommended question set. These were also used in the 2021 Tamworth residents' survey. This will allow us to analyse the local results over time and benchmark across local government. To use these appropriately, these questions need to be at the beginning of the survey (detailed at **Appendix E**), to reduce bias when answering.

Specific groups will also be contacted directly and invited to have their say:

Citizens' panel

Community & Voluntary Groups

Tamworth Businesses

Lichfield & Tamworth Chamber of Commerce

Housing tenants

Tamworth Borough Council staff (many of which are residents)

Paper copies of the surveys will be made available in the TIC, and, subject to County Council approval, Tamworth Library.

Our customer services staff will seek to carry out this survey as a telephone interview, particularly for those who are less likely to engage or have digital access.

We also aim to write to a random sample of Tamworth address specifically inviting them to take part.

Elected members will also be invited to share the survey with their constituents

- **Formulation of Budget Forecast & Base Budgets**

Managers should consider their future activities and spending requirements before discussions with their Accountant. Managers should identify any minor changes in expenditure or income or highlight other areas of concern with their Accountant prior to the finalisation of the base budget working papers. Regular review / monitoring during the year assist in this process.

It is important that managers assess budget figures carefully and do not merely increase the original budgets by the given inflation percentage. Managers should consider the previous year's level of expenditure when looking at budgets and decide if this is to be a normal level or an exception. A zero based budgeting approach to deliver service needs is required especially in a period of resource constraints.

For 2023/24, the budget process will need to reflect the consequences of the current inflationary cost pressures, and the measures to contain and mitigate its effects. Consideration of the impact on future income levels will be needed including Council Tax, Non domestic (business) rates, fees and charges, rents and investment returns which have, to a greater or lesser extent, been subject to reduction since April 2020.

In the main, the recalculation of the base budget involves changes that have already been approved or are outside the control of managers (e.g. inflation, pay award etc). Major alterations to budgets or proposals involving significant changes in service delivery need to be raised and submitted for approval through the policy changes process.

It should be borne in mind that financial guidance requires Budget Managers to be consulted (by the relevant Accountant) in the preparation of the budgets for which they will be held responsible and that they are required to accept accountability for their budgets and the service to be delivered.

As part of the Governance process, there is a responsibility for Budget Managers to ensure that they are consulted and confirm that their budgets are accurate, complete and acceptable.

- **Compilation of Overall Budget figures**

Once all the budget working papers have been prepared, an overall net expenditure figure for the Council can be assessed in terms of affordability and whether funding for these levels of expenditure is available. It may be that Managers would be required to identify savings in their budgets, dependent on guidance from Senior Managers and Members.

- **Final Budget Approved by the Council in February**

The final budgets are approved by Members at the Cabinet meeting, usually in February. No further amendments can be made after this point. The full Council approves the budget at its meeting in February.

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