

Report To: Corporate Governance Committee

Date of Meeting: 15th April 2014

Lead Member / Officer: Councillor Julian Thompson-Hill /Paul McGrady

Report Author: Richard Weigh, Chief Accountant

Title: Budget Process 2015/16

1. What is the report about?

The report outlines the proposed process to deliver the revenue budget for 2015/16.

2. What is the reason for making this report?

To provide an update of the proposed process, including details of the timetable, meetings, consultation options and approval stages.

3. What are the Recommendations?

To consider the process and comment as appropriate.

4. Report details

The council's approach to setting its revenue budget has been to incrementally reduce costs based on saving proposals from services and corporate budgets. The proposals were presented to elected members and on the whole, have all been accepted. The process has worked well and delivered successful budgets - but it has now run its course. The budget settlement for 2014/15 was the toughest the council has ever faced and the outlook for the future remains bleak.

Assumptions about future settlements, inflation, council tax and investment in the Corporate Plan mean that savings of approximately £12m might be required over the next two years. The scale of the savings target, on top of the cuts already made means a new approach is needed.

Appendix 1 shows how the process may work with more detail presented below.

Budget saving targets will be divided into three strands for both 2015/16 and 2016/17. The table below shows the strands with approximate values attached:

	2015/16	2016/17
Budget Strands	£'000	£'000
1. Services identify savings equivalent to the cost of all pay awards, pension and NI cost increases	1,382	2,111
2. Corporate Budget Reductions	500	500
3. Service Reviews - Freedoms & Flexibilities (Balancing Item)	4,118	3,389
Total	6,000	6,000

The values for the first two strands can be estimated with a degree (but not absolute) certainty. The key assumptions underpinning Strand 1 are a likely pay award of 1% in both years, known increases to employer's pension costs and a proposed increase to National Insurance costs in 2016/17. The impact of these pay related costs is included as a pressure in the Medium Term Financial Plan. The proposal is that services will have to absorb the costs by making savings of a similar value. Finance will work through the details with Heads of Service over the next three months with the aim of having a range of proposals to consider in July (ready for discussion at the July budget workshops with elected members).

This part of the process will be similar to previous years and is likely to identify savings resulting from service restructures, vacancy control and other efficiencies. Modernisation measures will help services deliver these savings but won't be additional to them.

The values attached to Strand 2 are a reasonable estimate of what can be delivered from corporate budgets.

The third strand (services being reviewed under Freedoms & Flexibilities) is more difficult to estimate but at this stage is shown as a balancing item to achieve a target of £12m savings over the next two years. This is the most significant change to the budget process and will focus on what a service does, how much it costs and attempt to analyse whether tasks are statutory obligations, corporate priorities, etc. Two services have undertaken pilot exercises which have been extremely useful in understanding how this new process will work.

A summary of the F&F process is as follows:

- A standard template will be used for all services. It sets out the service budget over the functions and services it delivers
- The template will be used to inform a debate and highlight areas that require further information and analysis in terms of the service, financial and legal implications. This will reduce the amount of resource initially employed analysing the detailed implications of every element within the service and allow more focus to be given to credible proposals emerging from the first round of meetings.

- Finance will arrange and facilitate the F&F and service budget meetings. Invitees will be the Lead Member (Finance & Assets), service Lead Member, CET, Head of Service and finance managers
- CET, Cabinet Briefing and Corporate Governance Committee will be provided with monthly updates as the process develops. CET should review the process after the first two or three F&F meetings to ensure the process is working effectively.

The output from both the F&F and the service budget meetings will be collated and presented initially to SLT and then to two member budget workshops in July. Each proposal will come with a detailed analysis of the savings, implications (service, legal, equality) and picking up from previous members sessions, analysis of posts affected and the geographic impact (north, centre, south of the county). Those present at the F&F meetings will recommend how proposals are developed and consulted upon from thereon (e.g. a task and finish group, referral to a scrutiny committee or Corporate Governance Committee, more detail for the next workshop, etc). The budget workshops will provide an opportunity for wider member input to these recommendations, hence on Appendix 1, the options are shown emerging from the member workshops. For some proposals, it is hoped that members will support taking them to County Council in September for approval.

It is proposed that all budget workshops are all day events. A draft outline of the service areas focussed upon in each of the July workshops is as follows:

Workshop 1 (Early July – TBC)	Workshop 2 (14th July)
Adults & Business Services	Highways & Environment
Children & Family Services	Housing & Community Development
Education & Schools	Planning & Public Protection
Communication, Marketing & Leisure	Finance & Assets
	Business Improvement & Modernisation
	Strategic HR
	Legal & Democratic Services

This will complete Phase 1 of the budget process and move into Phase 2. The same approval and consultation process will follow with the hope of taking more proposals to Council in December. During Phase 2 of the process, some proposals may require public consultation.

In theory, Phase 3 will be the most difficult stage of the budget to achieve as it is likely to include the most contentious proposals. The outcome of the first two phases will help plan the approach to the third and this may have to be revisited in the autumn. The date of the fifth member workshop (currently in for 22nd December) is likely to be brought forward. A summary of the key dates is shown in the table below:

Key Events	Dates
Corporate Governance Committee	15 th April 2014
Council Briefing	28 th April
First Round of Budget Meetings with Services	7 th May – 30 th June
Update to Cabinet Briefing	12 th May
Update to Corporate Governance Committee	21 st May
Update to Cabinet Briefing	2 nd June
Update to Corporate Governance Committee	2 nd July
SLT	3 rd July
First Member Budget Workshop	Early July *
Update to Cabinet Briefing	7 th July
Second Member Budget Workshop	14 th July
Update to Corporate Governance Committee	3 rd September
County Council	9 th September
Second Round of Budget Meetings with Services	September/early October
Update to Cabinet Briefing	22 nd September
Update to Cabinet Briefing	6 th October
Third Member Budget Workshop	13 th October *
Fourth Member Budget Workshop	20 th October
Update to Cabinet Briefing	3 rd November
Update to Corporate Governance Committee	5 th November
Update to Cabinet Briefing	8 th December
County Council	9 th December
Update to Corporate Governance Committee	17 th December
Fifth Member Budget Workshop	22 nd December *
County Council	3 rd February 2015

(* dates to be confirmed)

5. How does the decision contribute to the Corporate Priorities?

Effective management of the council's budgets and delivery of the agreed budget strategy underpins activity in all areas, including corporate priorities.

6. What will it cost and how will it affect other services?

The council needs to deliver savings of approximately £12m over the next two financial years.

7. What are the main conclusions of the Equality Impact Assessment (EqIA) undertaken on the decision?

An EqIA will be completed for all relevant proposals as the process develops.

8. What consultations have been carried out with Scrutiny and others?

This paper sets out the process and highlights the proposed consultation and approval points.

9. Chief Finance Officer Statement

This will be an extremely challenging process with some tough decisions to make along the way. The engagement and support of elected members in the decision making and scrutiny of the process is crucial.

10. What risks are there and is there anything we can do to reduce them?

This is the most challenging financial period the council has faced and failure to deliver an effective budget strategy will put further pressure on services in future financial years.

11. Power to make the Decision

Local authorities are required under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs.