

Report To: Corporate Governance Committee

Date of Meeting: 20th May 2015

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

Report Author: Richard Weigh, Chief Accountant

Title: Budget Process 2016/17

1. What is the report about?

The report gives an update on the process to deliver the revenue budget for 2016/17.

2. What is the reason for making this report?

To provide an update of the latest position.

3. What are the Recommendations?

To consider the latest update and comment as appropriate.

4. Report details

The first two member budget workshops considering saving proposals for 2016/17 took place on 23rd February and 26th March. These two sessions focussed in the main on proposals that were deferred from previous budget workshops.

Further budget workshops have been arranged for 5th June, 26th October and 14th December. As the process for 2016/17 is further developed, it may be necessary to schedule more workshops. The budget process chart is enclosed for reference as Appendix 1. The chart outlines the process to deliver the 2016/17 savings and builds on the process that began in March 2014. The saving 'phases' referred to are the decision points taken to Council for approval. Phases 1-3 have been approved already and therefore the chart begins at Phase 4.

The next set of proposals for 2016/17, incorporating items discussed at the latest workshops, will be presented to Council in July for approval. The total of these proposals is likely to be between £1.5m - £2.0m and will focus on efficiency and modernisation measures rather than service cuts or increases to fees or charges.

Currently, a series of meetings is being held with services reviewing budgets and considering new budget proposals. The June workshop will consider outline proposals from these meetings along with any proposals from elected members. A pro forma was issued to political group leaders in April to help

capture any proposals members would like to put forward for consideration. The pro forma allows for each proposal to be reviewed and assessed by Finance and services and for specific feedback to be provided to the proposer or political group.

Budget proposals identified in June will be refined over the summer and either taken to council for approval in September or be presented to the workshop in October with the intention to present to Council for approval in December. The workshop in December will then focus on final proposals to balance the budget.

All proposals emerging will be assessed by Finance to determine the likely budget impact in 2016/17. This is to ensure that any upfront or replacement costs are factored into the calculation and to provide a financial risk assessment as to whether the timescales are reasonable to achieve either full or part year implementation in 2016/17.

Following the current series of budget meetings with services, a review of the proposals emerging will be undertaken with SLT. The budget process will also be reviewed to determine whether it needs to be refined or amended. The outcome of this will be reported to the member budget workshop on 5th June.

The forecast budget gap for 2016/17 is approximately £8.8m. Savings of £2.7m have been approved as part of the current process (in Phases 1 and 2 approved in September and December 2014) meaning the remaining gap is approximately £6.1m. The budget gap is calculated by applying a series of assumptions. The most significant of these is the level of Settlement to local authorities in the form of Revenue Support Grant. Every percentage change to the Settlement value equates to approximately £1.4m. There is a significant level of uncertainty around the likely Local Government Settlement and this is likely to remain the case for the coming months. Until May 2013, Settlement values had been broadly consistent with the forward planning indications published nationally in 2011. Since then, there have been no multi-year settlements and indications have changed consistently between and within financial years. In the absence of more reliable Settlement information, budget plans must continue to develop proposals to cover a range of different scenarios. The Draft Settlement for local government will be published in October.

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 may need to deliver savings and other measures of approximately £8.8m next financial year.

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?

Previous reports have highlighted in detail the significant consultation process undertaken to deliver the 2015/16 and 2016/17 budgets and these are highlighted again below.

In addition to regular reports on the process to the Corporate Governance Committee, the budget process has been considered by CET, SLT, Cabinet Briefing and Council Briefing meetings. Specific proposals have been reviewed by scrutiny committees and one was based on recommendations from a member/officer task and finish group.

By the end of the 2015/16 budget setting process, there were ten budget workshops held with elected members to examine service budgets and consider budget proposals. A further five are arranged to consider proposals to meet the budget gap for 2016/17 and more may be necessary as the process develops.

As detailed in previous reports, there was a public engagement exercise to consider the impact of budget proposals and there are ongoing discussions between some of the county council's services and some Town councils. The council has consulted its partners through the joint Local Service Board and specific discussions have taken place with the Police.

All members of staff have been kept informed about the budget setting process and where proposals become decisions the affected staff will be fully consulted, in accordance with the council's HR policies and procedures.

Trade Unions have been consulted through Local Joint Consultative Committee. A process for engaging with staff and their TU representatives was agreed at LJCC in September and is being adhered to.

9. Chief Finance Officer Statement

This remains a difficult 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.

The aim of the budget process is to ensure that the council delivers a balanced budget. Built into the process are a number of review points to ensure that it remains on track and it can be amended if not. The uncertainty over the level of Settlement means that the budget gap estimated may change for 16/17 but this must be viewed in the context of the likelihood that negative Settlements will continue in the medium term.

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.

The budget process itself is a risk management measure with the aim of identifying, assessing and agreeing budget proposals in a planned and timely way. The process as outlined includes sufficient scope to review and amend if necessary. The level of proposals identified in June through both consultation with services and proposals submitted by members will inform how the remainder process continues.

Risk management of the budget process is a key consideration of the Corporate Governance Committee and specific risks have been raised in previous reports. As each proposal is identified, the financial and service risks are identified and highlighted at budget workshops as they are being developed.

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.