

<b>CABINET</b>	AGENDA ITEM No. 4
<b>26 FEBRUARY 2018</b>	<b>PUBLIC REPORT</b>

Report of:	Marion Kelly, Interim Corporate Director: Resources	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Resources	
Contact Officer(s):	Marion Kelly, Interim Corporate Director: Resources Peter Carpenter, Service Director Financial Services	Tel: 01733 452520 Tel: 01733 384564

## ROLLING MEDIUM TERM FINANCIAL STRATEGY BUDGET PROCESS

R E C O M M E N D A T I O N S	
<b>FROM:</b> Cabinet Member for Resources	<b>Deadline date:</b> Council 7 March 2018
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1) Consider the proposal for a rolling budget process.</li> <li>2) Recommend to Council that the rolling budget be approved and that authority be delegated to the Interim Director of Law and Governance to approve the amendment of the 'Budget Framework Procedure Rules' to follow a revised budget process.</li> </ol>	

### 1. ORIGIN OF REPORT

1.1 This report comes to Cabinet to amend the Council's formal budget setting process.

### 2. PURPOSE AND REASON FOR REPORT

2.1 To implement a rolling Medium Term Financial Strategy (MTFS) budget process, whereby savings and pressures will be agreed by Council on a quarterly basis.

2.2 This report is for Cabinet to consider under the Part 3, Section 3 – Functions of the Cabinet, paragraph No. 3.2.5, *'To review and recommend to Council changes to the Council's Constitution, protocols and procedure rules.'*

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
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### 4. BACKGROUND AND KEY ISSUES

#### 4.1 Background

In October 2016 the Council approved an amendment to the Constitution to update the [Budget and Policy Framework Procedure Rules \(Part4: Section 6\)](#). This amendment formalised the two phase process which the Council had adopted as practice since the 2015/16 MTFS.

The two phase approach was adopted to maximise the time possible to consult with the public on budget proposals.

A further additional benefit was that that the early agreement of Phase 1 budget proposals, in the December before the start of each new financial year, gives Departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

The Council is in a very difficult financial position unless detailed savings plans are developed as in 2019/20 expenditure is estimated to exceed income with no recourse to reserves. As such the Council is working on a number of initiatives on how it can close its “budget gap”. Once initiatives are identified there will need to be a governance process in place whereby the Council can make immediate decisions. This will ensure that initiatives can be implemented quickly in order to move the Council to a sustainable budget over the three year MTFS planning horizon.

### Proposal Detail

4.2

This report proposes the implementation of a revised budget process whereby the budget model is continually revisited and budget assumptions are revised on an ongoing basis. This will enable identified saving proposals and actions that mitigate new arising pressures to be implemented throughout the financial period and the Council to benefit from results as quickly as possible.

The following table is for illustrative purposes only, using draft dates for Council only. The new process would need to include all Governance processes presently in the budget process (Cabinet Policy Forum, Budget Working Group, and Joint Scrutiny of the Budget, Cabinet Report, Council Approval and consultation requirements) and would work with this process repeating itself on a quarterly basis through the financial year.

Meeting	Content	Date
<b>MTFS Tranche 1</b>		
Cabinet	Consider first tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of first tranche budget proposals	
Cabinet	To recommend the first tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the first tranche of budget proposals	25-Jul-18
<b>MTFS Tranche 2</b>		
Cabinet	Consider second tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of second tranche budget proposals	
Cabinet	To recommend the second tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the second tranche of budget proposals	10-Oct-18
<b>MTFS Tranche 3</b>		
Cabinet	Consider third tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of third tranche budget proposals	
Cabinet	To recommend the third tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	
Council	Approve the third tranche of budget proposals	12-Dec-18
<b>MTFS Tranche 4</b>		
Cabinet	To recommend the 2019/20 Council Tax Support Scheme to Council having regard to feedback from Scrutiny & the public. To agree the Council Tax Base, estimated position on the Collection Fund and the NNDR 1 Tax Base position	
Council	Approve the 2019/20 Council Tax Support Scheme	23-Jan-19
Cabinet	Consider fourth tranche of budget proposals (following approval	

	through CPF and BWG). This report opens the Consultation Period.	
Scrutiny	Formal scrutiny of fourth tranche budget proposals	
Cabinet	To recommend the fourth tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public. Include all Tranches in a consolidated MTFs for the next three year period from which progress can be measured.	
Council	Approve the fourth tranche of budget proposals and the overall consolidated MTFs for the year	06-Mar-19

The actual final dates to be used are to be finalised depending upon comments of this proposal.

Once this proposal is agreed in principle further consideration will need to be given to:

- Consultation requirements – do all proposals require the same consultation approach?
- Reporting approach – this still assumes all budget proposals will be taken through the current budget route, CMT, CPF, BWG, Cabinet, Scrutiny, Council.
- Officers to work up the detailed specification on how this process will work in the individual quarters as well as the final report that will go to Council in March each year.

4.3 It is recommended to agree to the revised budget setting approach in principle and ensure dates are added to the forward plan for the year. This will ensure that efficiency and savings options can be considered throughout the year and be implemented more quickly than present processes allow.

## 5. CONSULTATION

5.1 There are no consultation requirements. This is an enhancement to the budget process.

## 6. ANTICIPATED OUTCOMES OR IMPACT

6.1 Following approval by Cabinet on 26 February and Council on 7 March 2018, CMT will develop budget proposals in order to meet the budget timetable and process proposed in this report.

## 7. REASON FOR THE RECOMMENDATION

7.1 The Cabinet is responsible for initiating Budget Proposals within the Council's Budget & Policy Framework Procedure Rules. The proposed approach and timetable for the 2019/20 budget setting process contained within this report varies from that contained within the Procedure Rules and Cabinet is being asked to put forward this alternative, four tranche process, for Council approval. Another benefit of the two four tranche approach is that the early agreement of budget proposals before the start of the new financial year gives all council departments more time to implement these proposals, some of which may require long lead in times to achieve successful implementation.

## 8. ALTERNATIVE OPTIONS CONSIDERED

8.1 No alternative option has been considered as the Cabinet is responsible under the Constitution for initiating Budget Proposals and the Council is statutorily obliged to set a lawful and balanced budget by 11 March annually.

## 9. IMPLICATIONS

### Financial Implications

9.1 None.

### Legal Implications

9.2 The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the

council must base its budget calculations on and require the council to set a balanced budget with regard to the advice of its Chief Financial Officer (section 151). The setting of the budget in March each year is a function reserved to Full Council, who will consider the draft budget which has been prepared and proposed by Cabinet. When it comes to making its decision in March each year the Council is under a legal duty to meet the full requirements of s31A of the LGFA 1992 which includes the obligation to produce a balanced budget.

9.3 Once the budget has been agreed by Full Council the Cabinet cannot make any decisions which conflict with it, although variations and year-in-year changes can be made in accordance with the Council's financial regulations.

9.4 Councils are under a general duty (Section 151 of the Local Government Act 1972) to make arrangements for 'the proper administration of their financial affairs'. It is for each council to decide on the detail of its budget setting process as part of this overall duty.

### **Equalities Implications**

9.5 None.

### **Rural Implications**

9.6 None.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 Council Constitution – Part 3, Section 3 – Executive Functions – Executive Delegations Council Constitution – Part 4, Section 6 – Budget and Policy Framework Procedure Rules

## **11. APPENDICES**

11.1 None.