

<b>COUNCIL</b>	AGENDA ITEM No. 13(a)
<b>24 JULY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Chief Executive	
Cabinet Member(s) responsible:	Councillor David Seaton, Cabinet Member for Finance	
Contact Officer(s):	Peter Carpenter, Acting Corporate Director of Resources Kirsty Nutton, Head of Corporate Finance	Tel: 01733 452520 Tel: 01733 384590

## MEDIUM TERM FINANCIAL STRATEGY BUDGET PROCESS FOR 2020/21-2022/23

RECOMMENDATIONS	
<b>FROM:</b> Cabinet Member for Finance	<b>Deadline date:</b> Council 12 July 2019
It is recommended that Council approve the proposed approach to the 2020/21 budget setting process.	

### 1. ORIGIN OF REPORT

- 1.1 This report comes to the Council to amend the Council's formal budget setting process, for the 2020/21-2022/23 Medium Term Financial Strategy.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 To implement an extraordinary Medium Term Financial Strategy (MTFS) budget process for 2020/21-2022/23 only, which will be outside of the current Budget Policy Framework Procedure rules, as outlined in the Councils Constitution. This process will adopt a different timetable, whereby savings and pressures will be agreed by Cabinet or Council.

### 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

#### Background

- 4.1 In March 2018 Council approved a rolling budget approach, whereby the budget model was continually revisited and budget assumptions are revised on an ongoing basis (quarterly). This enabled the Council to identify 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.
- 4.2 The Council is in a very difficult financial position, with an £18.4m budget gap in 2020/21 (as outlined in the MTFS approved by council on 6 March 2019), and current in year budget pressures of £5.5m (as outlined in the May BCR report, which went to Cabinet on 15 July 2019), most of which will be ongoing. The reserves position is fragile, and will not be able to fully support the

current budget gap in 2020/21. Unless detailed savings plans are developed rapidly, expenditure is estimated to exceed income and the reserves balances.

- 4.3 The magnitude of savings required means that the Council will have to make significant operational changes, which will affect the way we deliver services. Due to the nature and scale of this development of proposals is expected to take longer to ensure the plans are robust, deliverable and collectively achieve financial sustainability. Therefore a different budget setting process will be required to accommodate this.

### **Proposal Detail**

- 4.4 The Council is now working collaboratively with Grant Thornton on a number of work streams to implement proposals to address the “budget gap”. Once proposals are identified from these work streams and business cases are developed, the financial value and impact of these proposals will be assessed to identify the correct governance and approval route.

- 4.5 The following approval routes can be considered:

- **The Budget Virement limits** as per section 7 of the [Budget Policy Framework Rules](#), Council approves these limits;
- **Requirement to complete an Equality Impact Assessment (EIA)**- An equality impact assessment is a way of systematically assessing the effects that a function, strategy, project or policy of the council is likely to have on groups of individuals in respect to the equality categories set out in legislation;
- **Consultation** - the level of stakeholder, general public or service user consultation required.

- 4.6 Where a proposal is low impact and therefore does not require a formal consultation or the completion of a full EIA, then the following 2019/20 budget virements limits, as approved as part of the MTFS at Council on 6 March 2019, will be applied and reported to Cabinet and Council accordingly:

- Directors, within their own area, can approve virements up to £500k;
- Virements required across departments can be approved by the relevant departments up to a limit of £250k, any virements in excess of this limit will require Cabinet approval;
- All budget virements in excess of £500k will require Cabinet approval;
- All budget virements in excess of £1m will require Council approval.

- 4.7 By implementing a process whereby budget changes can be made in year, following these limits, budget changes can be approved by Corporate Directors up to £250k or Cabinet up to £1m. This will allow for the much required rapid implementation of savings to take place, reducing the risk facing the Council’s finances in the next 12 months.

- 4.8 Where it is proposed budget changes are to be approved by the Corporate Director these will be clearly outlined within the budgetary Control Reports which are reported to Cabinet on a regular basis.

- 4.9 Where it is proposed budget changes are to be approved by Cabinet, these will be recommended as part of the Budgetary Control Reports, reported to Cabinet on a regular basis.

- 4.10 These changes will ensure that the annualised cash limit for the Council remains the same, as per the Financial Regulations. The approved 2019/20 budget, included the use of £3m from the Capacity Building Reserve. Where savings proposals are identified, the use of this reserve will be reduced.

- 4.11 Proposals which require an EIA, formal Consultation and are above the Corporate Director and Cabinet approval limits will follow a formal MTFS process, which is familiar to the Council. The proposed timetable for this is outlined in the following table:

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.	04/11/2019
Scrutiny	Formal scrutiny of first tranche budget proposals	27/11/2019
Cabinet	To recommend the first tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	09/12/2019
Council	Approve the first tranche of budget proposals	18/12/2019
<b>MTFS Tranche 2</b>		
Cabinet	Consider final tranche of budget proposals (following approval through CPF and BWG). This report opens the Consultation Period.	03/02/2020
Scrutiny	Formal scrutiny of second tranche budget proposals	12/02/2020
Cabinet	To recommend the final tranche of budget proposals to Council, having regard to feedback from Scrutiny and the public	24/02/2020
Council	Approve the final tranche of budget proposals	04/03/2020

Appendix A outlines a flow chart of the budget proposal process.

### **Recommendation**

4.12 It is recommended to agree to a budget setting approach for the 2020/21 budget only. This will include the publication and approval of the Medium Term Financial Strategy 2020/21-2022/23. This will be an extraordinary approach outside of the Budget and Policy Framework Procedure Rules, in light of the significant financial challenge. This will ensure that efficiency and savings options, within the limits outlined in the Financial Regulations can be considered regularly throughout the year and be implemented more quickly, in order to rapidly address the financial challenges.

4.13 Proposals with a higher financial value which will require more significant change to implement will receive greater scrutiny and consideration within this process. Consultation with affected stakeholder groups will take place, and full Equality Impact Assessments will be completed where required.

## **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 Council on 24 July 2019, Corporate Management Team will work to 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 and Policy Framework Procedure Rules. The proposed approach and timetable for the 2020/21 budget setting process, contained within this report varies from that contained within the Procedure Rules as set out in the Councils Constitution. This is due to the magnitude of the financial savings required in order to reach a balanced budget in 2020/21.

7.2 Adopting this approach will ensure that robust and deliverable plans are approved in order to achieve a budget for the Council, which is financial sustainability. The additional time required on the development of these opportunities will ensure that they have undergone a greater level of scrutiny, and implementation plans outlined within the business cases have been fully considered

by the corporate management team and Cabinet, before being proposed. This will ensure that the Council is successful in the implementation of these proposals.

## **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 virements 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  
Council Constitution – Part 4, Section 11 – Financial Regulations  
Medium Term Financial Strategy 2019/20-2021/22- as approved at council on 6 March 2019

## **11. APPENDICES**

- 11.1 Appendix A - Flow Chart for proposed Approach