

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>13 JULY 2020</b>	<b>PUBLIC REPORT</b>

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

## BUDGET SETTING PROCESS

R E C O M M E N D A T I O N S	
<b>FROM:</b> Corporate Director: Resources	<b>Deadline date:</b> N/A
It is recommended that the Cabinet endorses the updated Budget Policy Framework Procedure Rules, as outlined in Appendix A and recommends to Council for approval.	

<b>1.</b>	<b>ORIGIN OF REPORT</b>		
1.1	This report is presented to Cabinet following referral from The Corporate Director of Resources, the <i>S151 Finance Officer</i> .		
<b>2.</b>	<b>PURPOSE AND REASON FOR REPORT</b>		
2.1	The purpose of this report is to update the Budget Policy Framework Procedure Rules as set out in part 4, section 6 of the Councils constitution.		
<b>3.</b>	<b>TIMESCALES</b>		
	Is this a Major Policy Item/Statutory Plan?	<b>YES</b>	If yes, date for Cabinet meeting
	Date for relevant Council meeting	<b>29 July 2020</b>	Date for submission to Government Dept. ( <i>Please specify which Government Dept.</i> )
			<b>13 July 2020</b>
			<b>N/A</b>
<b>4.</b>	<b>BACKGROUND AND KEY ISSUES</b>		
4.1	<b>Background</b>		
	The current Budget Policy Framework Procedure Rules, approved in March 2018, outline a rolling budget approach, whereby the budget model is continually revised on an ongoing (quarterly) basis. This was to enable 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.

The Council is in a very difficult financial position, as outlined within the Medium Term Financial Strategy (MTFS) approved by Council in March. A budget gap of £14.2m remains in 20221/22 and the Council is also facing additional financial challenges resulting from the actions required to respond to the COVID-19 pandemic. This includes the loss of income streams, additional pressures from service users and difficulty with delivering the planned savings. Current estimates indicate that the additional pressure to the Council to be at least £14.1m in 2020/21, with further Council Tax and Business Rates reduced income collection expected to cause a further pressure on the 2021/22 budget. These financial implications, together with the already fragile reserves balances will impact the Councils financial position in the medium to longer term, and is anticipated to decrease the Councils financial resilience and ability to effectively respond to emergencies.

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 scale of this, together with additional consideration of the post COVID-19 recovery, 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.

In July 2019 the Council approved an extraordinary budget setting approach for the 2020/21 budget process, outside of the Budget Policy Framework Procedure Rules. However this approach is required to be made on an ongoing basis to reflect the development required to deliver savings of this size.

4.2

**Proposal Detail**

This report proposes the implementation of the budget process adopted within 2020/21, as a permanent change to the Budget Policy Framework. This will enable budget proposals developed in to business cases, scrutinised and implemented throughout the financial period to ensure the Council can maximise the financial benefits as quickly as possible.

The following table is for illustrative a high level timeline for the proposed budget setting approach. The 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 twice throughout the financial year

MEETING	CONTENT	DATE
<b>PHASE ONE</b>		
Cabinet	To consider the first phase of budget proposals for consultation (following approval through CPF and BWG). The publication of the report commences the Consultation period.	Summer/ Autumn
Scrutiny Committee	To formally scrutinise the first phase of budget proposals	Summer/ Autumn
Cabinet	To recommend the first phase of budget proposals to Council having regard to feedback from the joint scrutiny committee and stakeholders	Summer/ Autumn
Council	To approve the first phase of budget proposals	Summer/ Autumn
<b>PHASE TWO</b>		

Cabinet	To agree: <ul style="list-style-type: none"> <li>• Council Tax base and estimated position on the Collection Fund;</li> <li>• NNDR1 (Business Rates position);</li> <li>• Any changes proposed to the Council Tax Support Scheme.</li> </ul>	January
Cabinet	To consider the final phase of budget proposals and the MTFS report for consultation (following approval through CPF and BWG). The publication of the report commences the Consultation period.	February
Scrutiny Committee	To formally scrutinise the final phase of budget proposals	February
Audit Committee	To review and approve the Asset Investment Strategy and Treasury Management Strategy prior to inclusion in the MTFS.	January/February
Cabinet	To recommend the MTFS including the revenue budget and Council Tax rates to Council having regard to feedback from the joint scrutiny committee and stakeholder consultation	February
Council	Approve the consolidated MTFS, including the revenue and capital budget and Council Tax Resolution.	March

The Following table outlines the specific timetable for the 2021/22 Budget setting process:

<b>Phase One</b>	<b>Date</b>
Budget Consultation start Date	16/10/2020
Cabinet	26/10/2020
Joint Scrutiny	10/11/2020
Cabinet	30/11/2020
Budget Consultation Close Date	07/12/2020
Council	09/12/2020
<b>Phase Two</b>	
Budget Consultation start Date	22/01/2021
Audit Committee	25/01/2021
Cabinet	01/02/2021
Joint Scrutiny	10/02/2021
Cabinet	22/02/2021
Budget Consultation Close Date	01/03/2021
Council	03/03/2021

<b>5.</b>	<b>CONSULTATION</b>
5.1	There are no consultation requirements. This is an enhancement to the budget process.
<b>6.</b>	<b>ANTICIPATED OUTCOMES OR IMPACT</b>

6.1	Following approval by Cabinet on 13 July 2020 and Full Council on 22 July 2020, The Corporate Management Team will develop proposals in order to deliver a balanced budget, within the budget timetable and process proposed in this report.
<b>7.</b>	<b>REASON FOR THE RECOMMENDATION</b>
7.1	<p>The Cabinet is responsible for initiating Budget Proposals within the Council’s Budget and Policy Framework Procedure Rules. This proposes a revised approach, to that outlined within the current Budget Policy Procedure Rules, 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 2021/22.</p> <p>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.</p> <p>This recommendation will best support the Council to fulfil its statutory obligation to set a lawful and balanced budget by 11 March annually.</p>
<b>8.</b>	<b>ALTERNATIVE OPTIONS CONSIDERED</b>
8.1	<p>No other options have been considered. The Council had previously adopted a different rolling budget approach to the budget setting process which was adopted within the Budget Policy Framework Procedure Rules and implemented for the 2019/20 process.</p> <p>However as outlined within this report the Council moved to an extraordinary approach to the budget setting process for 2020/21. This approach was revised mid –year (approved in July 2019), and this report proposes to incorporate this change within the Constitution.</p>
<b>9.</b>	<b>IMPLICATIONS</b>
	<b>Financial Implications</b>
9.1	<i>None</i>
	<b>Legal Implications</b>
9.2	The provisions of the Local Government Finance Act 1992 (LGFA 1992) set out what the Item 9(c) - For Information Only 9.1 9.3 9.4 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.
	<b>Equalities Implications</b>
9.5	None.
	<b>Carbon Impact Assessment</b>
9.6	There is no change to the Council's Carbon Impact arising from this report.
<b>10.</b>	<b>BACKGROUND DOCUMENTS</b> Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985
10.1	<a href="#">Council 24 July 2019- revised 2020/21 Budget Setting Process Report</a> <a href="#">Council 24 July 2019- Appendix</a> <a href="#">Constitution – Part 4, Section 6 – Budget and Policy Framework Procedure Rules</a>
<b>11.</b>	<b>APPENDICES</b>
11.1	<i>Appendix A - Revised Budget Policy Framework Procedure Rules</i>

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