

## GUIDELINES FOR THE PREPARATION OF THE 2016/17 BUDGET

### Principles

- Protect Frontline Services
- Focus attention on corporate and service priorities and improving performance
- Maximise joint working and commercialisation income
- Maximise procurement opportunities and contract negotiations

These budget guidelines have been developed within a consistent corporate framework to ensure:

- implementation of agreed savings and efficiency proposals
- resources are allocated to Council priorities
- inappropriate competition between services for resource allocations is minimised
- a transparent method for charging a fair cost between internal Council services.

The guidelines are designed to positively encourage managers and elected members to do the following:

- bring forward ideas and options to make more effective use of existing resources, clearly identifying how the ideas may develop over a 3-year period, including any requirements for pump priming money.
- link the budget setting process to Service Plans and the requirement for the identification of options, which will produce efficiency savings.
- focus attention on corporate and service priorities and improving performance.

### Budget Deliverables

1. Prepare and submit draft revenue estimates for 2016/17 and the next 4 years (5 year forecast) which fully reflect the service priority and consultation event findings and match the current duration of the MTFS.
2. Prepare and submit a draft 5 year capital programme. All schemes to carry a full project appraisal including strategic objective, priority, value for money assessment, and details of any revenue impacts. In particular the phasing of expenditure over the life of the project, so as to minimize slippage. All capital project appraisals will be validated by the Budget Planning Committee. All schemes previously approved to start in 2015/16 and onwards will be carried through for consideration.
3. The 2015/16 projected outturn at September 2015, adjusted to take account of the full year effect of savings identified in setting the 2016/17 budget, and one off items will be assumed to be the “**base budget**”.

## Budget Timetable

The revenue and capital budget is agreed by full Council before 11 March each year. The 2016/17 budget will be considered at Council in February 2016.

## Revenue Budget Guidelines

### Income

In building income budgets it is essential that a realistic assessment of income achievement is undertaken. Budget holders should use their knowledge of past trends and current market conditions in assessing income levels for the future and the scope for increases in fees and charges.

It is important to look at not only financial information but also non-financial information such as activity data on customer usage and trends to help build realistic income estimates.

Variations to the existing approved budget for income must be clearly identified and explained.

Variations in fees and charges need to be considered taking into account the Council's priorities and objective to ensure that proposals are consistent with these priorities and objectives.

### Growth

- It is the aspiration that the net impact of all growth items should be **ZERO**.
- Growth arising from changes in legislation / regulation or service planning will **ONLY** be allowed if it is fully funded by transferring resources within the same service or from within the same Directorate. Any such transfer either within the same service or the same Directorate can only come from demonstrably lower priority services. A growth proforma should be completed detailing full requirements.

**Financial assumptions** - should be used in estimating changes in expenditure and income over the medium term.

- Provide for general inflation in 2016/17 on all expenditure (excl payroll) and fees and charges as per forecasts in our MTFS model and will be used in the budget module as below:

Year	CPI %	Budget %
2016/17	1.7%	2.7%
2017/18	2.0%	2.7%
2018/19	2.1%	2.7%
2019/20	2.0%	2.7%
2020/21	2.0%	2.7%

Current CPI at September 2015 is 0%

- Payroll – payroll inflation is included at the following levels:

Year	%
2016/17	2.0%
2017/18	2.0%
2018/19	2.0%
2019/20	2.0%
2020/21	2.0%

- Council Tax should be forecasted with 0% increases and held at 2010/11 levels.

Year	%
2016/17	0%
2017/18	0%
2018/19	0%
2019/20	0%
2020/21	0%

- Interest rates should be forecasted as below:

Year	Average Interest Rate
2016/17	0.75%
2017/18	0.75%
2018/19	0.75%
2019/20	0.75%
2020/21	0.75%

***All financial indices above are subject to further review in the budget process and may be subject to change.***

### **Budget Process: Base Budget Review and Savings**

The budget for 2016/17 will be based on a slightly different methodology from previous years. Directorates will no longer be asked to take their base budget and prepare a range of savings options of up to 20%, this year the process will be based on a Base Budget Review (BBR).

The BBR will still use historical data, but will not have the presumption that the service **NEEDS** the same resources and budgets.

The following factors will be used to produce a 3-year Directorate budget:

- Trend Analysis – variance review of the last three years expenditure / income to identify any that should be captured in the budget.
- In Year Monitoring – what does the current budget monitoring identify in terms of variances that should be captured in the budget;
- Challenge – Finance staff will work with budget holders using the the above tools to provide support and challenge to ensure budgets are based upon need.

## **Savings and Additional Income from Joint Working and Commercialisation**

In the last 10 years the Council has successfully generated efficiencies savings from across the organisation to limit the impact on front line services and set a year on rear balanced budget.

RSG cuts are though expected to continue into the medium term and at a level, millions not thousands that cannot be sustained through traditional efficiency measures. The Council must adopt a more collaborative and commercial approach to its business if it is to afford to maintain its citizen first services at the level they and we have come to expect.

The Council has signed up to a Confederation Model, which gives the maximum flexibility and the best organisational structures for delivering services as a group of Councils. We can trade within rules that mean we can contract with companies without procurement costs (Teckal) and decide together which companies to put into these arrangements.

We plan to do this incrementally but we must ensure that there are sufficient solutions and savings being generated to balance the budget in the short and medium term.

The Confederation Approach will drive a more commercial approach to existing services where appropriate but there must also be a drive to new and innovative ways of achieving greater income. The Transformation Workstreams are already in place and creating the ideas. We must test these and start to deliver so that they contribute to the future financial sustainability of the Council.

### **Capital programme Guidelines**

- Capital resources are reducing over the life of the MTFS. The development of 5-year rolling capital programme and resources should be drawn up within the context of the following objectives:
  1. The generation of additional reserves and balances, with appropriate contingencies.
  2. Opportunities to invest to save.
  3. Maintaining Council assets and the Council's infrastructure to agreed standards.
- A capital project appraisal is required for each bid and this will be validated by the Budget Planning Committee who will make recommendations for schemes to be included in the 2016/17 capital programme. All schemes previously approved to start in 2016/17 and onwards will be carried through for consideration.

### **Procurement**

When setting both the 2016/17 budget and future years, regard should be given to the Corporate Procurement Strategy and the Council's Contract Procedure rules. In particular, budgets and projections should be based on Corporate and agreed framework contracts. Further advice and guidance can be obtained from the Council's Procurement Team.

## **Risk**

The budget process is fundamental to the Council's financial management regime and Members need to be assured that all pertinent issues are properly considered when making key decisions on the Council's future finances.

In drawing up revenue budget proposals, risk assessments should be undertaken to test the robustness of proposals and to identify key factors which may impact on the proposals put forward. Where appropriate action plans should be put in place to manage/mitigate the risks identified – this may include a risk provision within the budget which can be calculated by your service accountant.

With a £15m Revenue Budget covering all the Council's services and activities, the potential for an issue to be missed or not considered properly will always be there. The budget process is designed to minimise this risk and throughout the process there are frequent meetings with Joint Management Team and Executive to review.