

# Executive

## Service & Financial Planning Process and Budget Guidelines for 2011/12

11 October 2010

### Report of The Head of Finance and Corporate Strategy and Performance Manager

#### PURPOSE OF REPORT

To inform the Executive of the service and financial planning process for 2011/12 to agree budget guidelines for issue to service managers to enable the production of the 2011/12 budget and update the Medium Term Financial Strategy for 2011/12 onwards.

This report is public
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#### Recommendations

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The Executive is recommended to:

- (1) Note the service and financial planning process for 2011/12
- (2) Consider and agree the proposed budget guidelines and timetable for 2011/12 budget process.

#### Executive Summary

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1.1 The service and financial planning process is underpinned by a robust evidence base that is used to inform decision making. This evidence base includes a social and demographic profile of the district (Living in Cherwell, updated annually) and a corporate consultation programme.

1.2 The consultation programme is comprised of an annual statistically representative customer satisfaction survey and an in-depth piece of qualitative consultation to develop budget priorities with the public. Together these pieces of research provide a good sense of public priorities and levels of satisfaction with the different services the Council provides. The information, refreshed annually, provides a sense of trend and captures new issues that need to be taken into account when service and financial planning.

1.3 This year the Council has undertaken in-depth consultation regarding budget priorities in the light of potential budget cuts for 2011/12 onwards.

1.4 The results of the public consultation are used to develop a prioritisation framework which, alongside the corporate strategy, medium term financial strategy

and the corporate improvement plan, provides the context for budget setting and service planning. The prioritisation framework for 2011/12 is shown at Appendix 1.

1.5 The Council needs to set guidelines and a timetable for the preparation of draft estimates for 2011/12. These guidelines should support the objectives contained in the 5-Year Corporate Plan, Improvement Strategy and in particular the updated Medium Term Financial Strategy.

1.6 In the context of the current challenging economic climate the council alongside local residents and businesses will experience the effects of the economic downturn and credit crunch. We have made a public promise to reduce expenditure by £800K in 2010/11 and as such it is important we plan for a period of prudent budgeting. Executive are already well advanced in planning to meet this promise. However additional savings will be required to meet the national challenge of significant public spending reductions. Executive and CMT will be preparing options for these further savings. These will be identified as savings “building blocks” and will be used to build the final budget once the level of savings required is known.. The attached guidelines in Appendix 2 proposed for the coming year provide a framework to identify areas of potential cost reductions across the organisation informed by our public consultation, previous investment, value for money reviews and our strategic priorities.

1.7 The budget timetable can be seen in Appendix 3.

## **Background Information**

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2.1 The corporate consultation programme and the 2010 edition of the Living in Cherwell document provide a robust and up to date evidence base for the service and financial planning process 2011/12. The development of the evidence base has been undertaken in accordance with Market Research Society guidelines (for consultation events) and uses social and demographic data with clearly identified sources.

2.2 The prioritisation framework is based on priorities identified through the public consultation and the focus of previous investment decisions to develop a hierarchy of services. Where services are rated as 1 they are suggested as the highest priority and, where a rating of 7 is given, the lowest. It should be noted that not all services are considered as part of the consultation (for example back office services or transactional services where members of the public may not come into direct contact or usage). As such the prioritisation framework provides a context and information to inform decision making, rather than a comprehensive statement of all council priorities.

2.3 The main findings of the consultation this year can be summarised as following:

- Increased rates of general satisfaction with the Council (73% of respondents satisfied with the Council in comparison with 67% in 2009).
- Increased satisfaction for most key council services with strong performance from waste collection, recycling and cleansing services
- Increased satisfaction for tackling anti-social behaviour, continuing the improvement trend but still an area where satisfaction could be improved (36% satisfied in 2009 and 44% satisfied in 2010).

- The economic context is still having an impact on people's views across the district with economic development still being viewed as a higher priority than has been seen prior to 2009.
- There is a good deal of consistency in terms of public priorities between 2009 and 2010. However, the national context is having an impact on people's views about which services should be prioritised if budgets are cut. The Council's budget consultation found that local residents valued services supporting the cleaner, greener strategic priority and expect the council to focus on core business in the context of national budget cuts. These priorities are outlined in Appendix 1 the Prioritisation Framework.

- 2.4 Formal consultation on the draft budget will take place in December with sessions with the Chambers of Commerce and key stakeholders. Members of the public who participated in the budget consultation will be informed of the decisions in line with our consultation and engagement strategy. During December 2010 and January 2011 the draft budget and corporate plan will also be available on the Council's consultation portal for comment.
- 2.5 Council will be asked to agree the 2011/12 budget and corporate plan (and the service plans that underpin delivery) at their meeting on 21<sup>st</sup> February 2011.

## **Implications**

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<b>Financial:</b>	None at this stage. The exercise will determine the approach to and eventually lead to the production of the Council's budget for 2011/12.
<b>Legal:</b>	None
<b>Risk Management:</b>	The Council is required to set both revenue and capital budgets. Failure to integrate the preparation of these budgets with service priorities and planning will compromise the Council's ability to deliver on its strategic objectives.  Comments checked by Karen Muir, Corporate System Accountant 01295 21559
<b>Data Quality</b>	Consultation work has been undertaken by external market research organisations using industry guidelines to ensure findings are significant and consistent. Where low base sizes have been used these have been highlighted  Comments checked by Helen Couperthwaite, Data Quality Lead Officer 01295 22221751

## **Wards Affected**

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All

## **Corporate Plan Themes**

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All

**Executive Portfolio.**

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**Councillor James MacNamara, Portfolio Holder for Resources.**

**Document Information**

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<b>Appendix No</b>	<b>Title</b>
Appendix 1	Prioritisation framework 2011/12
Appendix 2	Budget Guidelines 2011/12
Appendix 3	Budget Timetable
<b>Background Papers</b>	
	Living in Cherwell 2010 Summary of Corporate Consultation Programme September 2010
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## APPENDIX 1

### Frontline Service Priority Framework for 2011/12

Service Area	Priority Ranking 2010/11	Priority Ranking 2011/12
Refuse collection & Recycling	1	1 ⇔
Strategic Housing	1	1 ⇔
Anti-social behaviour	1	2 ↘
Economic Development and Regeneration	2	2 ⇔
Sports facilities	3	3 ⇔
Local Development	3	3 ⇔
Community Development	3	3 ⇔
Housing Needs	4	3 ↗
Private Sector Housing	4	3 ↗
Local Transport and Concessionary Fares	4	4 ⇔
Leisure development	3	4 ↘
Revenues and Benefits	4	4 ⇔
Cleansing	4	4 ⇔
Environmental Protection	4	4 ⇔
Arts	4	4 ⇔
Rural Areas	4	4 ⇔
Car Parking	4	4 ⇔
Estates	4	4 ⇔
Safer communities	3	5 ↘
Health Promotion	3	5 ↘
Building Control and Engineering	5	5 ⇔
Public Protection	5	5 ⇔
Conservation & Urban Centres	4	5 ↘
Planning & Enforcement:	5	5 ⇔
Planning control	6	6 ⇔
Diversity and equality	6	6 ⇔
Landscape	7	7 ⇔

Banbury Museum	7	<b>7</b>	↔
Tourism	7	<b>7</b>	↔
Licensing	7	<b>7</b>	↔

## APPENDIX 2

# GUIDELINES FOR THE PREPARATION OF THE 2011-12 BUDGET

## Principles

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

Deliver

- Implementation of agreed savings and efficiency proposals
- allocate resources to Council priorities
- minimise inappropriate competition between services for resource allocations
- ensure that where significant services are provided between Directorates there is a transparent method for charging a fair cost.

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

- bring forward innovative 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, Action Plans already in place, Value for Money Reviews 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 2011/12 and the next 4 years which fully reflect the service priority and consultation event findings and match the current duration of the MTFS.
2. Prepare and submit a draft four-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. All capital project appraisals will be validated by the Capital Investment Delivery Group. All schemes previously approved for commencement in 2011/12 and onwards will be carried through for consideration.
3. The 2010/11 projected outturn at September 2010, adjusted to take account of the full year effect of savings identified in setting the 2010/11 budget, and one off items will be assumed to be the "**base budget**". This will then be further adjusted for savings identified within the Executive's £800k promise action plan and the savings "Building Blocks" that have been identified and approved, (these savings building blocks are options for additional savings that are being identified as part of preparation for the 2011/12 budget process.) The budget will be prepared by the Service Accountant and signed off by Head of Service.

4. The final draft of the budget should be accompanied by a one page word document which will include key expenditure indicators, efficiency targets and overview of service and key projects for 2011/12. This template will be sent out in December 2010 for completion.

## Budget Timetable

The revenue and capital budget is agreed by full Council before 11<sup>th</sup> March each year. The 2011/12 budget will be considered at Council on Mon 21st February 2011. (or Reserve – 9<sup>th</sup> March 2011)

A summary timetable is attached in Appendix 3. This timetable dovetails with the service and financial planning timetable.

## 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

- 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.
- All draft estimates should reflect the outcomes from the challenge sessions on individual service and budget appraisals and draft service plans

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

- Payroll - Although there is a current local agreement to pay 1.8% and 1.9% increases in 2011/12 and 2012/13, (agreed as part of a 3-year deal with 0% in 2010-11), we anticipate the government enforcing the public sector pay freeze and therefore the Council reverting to 0% in 2011/12

We will therefore provide for payroll inflation as detailed below



<b>Year</b>	<b>%</b>
2011/12	0%
2012/13	1.8%
2013/14	1.9%
2014/15	CPI

Should this not be the case the Council will need to consider alternative ways of retaining the budget position outlined.

- Provide for general inflation in 2011/12 on all other expenditure and fees and charges at 0.5% below August CPI or 0% whichever greater. (Aug CPI 3.1% )
- Inflation rates predicted for beyond 2010/11 are as per forecasts in our MTFs (based on OBR Budget forecasts) and will be used in the budget module as below:

<b>Year</b>	<b>CPI %</b>
2011/12	2.4%
2012/13	1.9%
2013/14	2.0%
2014/15	2.0%

- Council Tax should be forecasted as 0.5% below the CPI rate except for 2011/12 when we assume a 0% increase in 2011/12 to the ratepayer but 2.5% will be funded from Central Government

<b>Year</b>	<b>CPI %</b>
2011/12	2.5%
2012/13	1.5%
2013/14	1.5%
2014/15	1.5%

- Interest rates should be forecasted as below (info from Sector- based on three month money rate)

<b>Year</b>	<b>Average Interest Rate</b>
2010/11	0.8%
2011/12	1.3%
2012/13	1.8%
2013/14	2.3%

- Inflation and Interest rates are subject to further review in the budget process and may be subject to change.

## **Savings**

Each Directorate is required to work up a full range of budget savings options for consideration. These options will be presented as potential Budget savings "Building Blocks". A standard template will be provided (requesting information on lead in

times, one off costs and impact on priorities, services and policies.

Directorates are encouraged to be “free thinking” in drawing up options which:

- identify opportunities for new efficiency savings, consistent with the requirements of the Efficiency Savings Review process.
- identify areas with reducing levels of income and identify opportunities for reducing corresponding expenditure.
- challenge current methods of service delivery and identify alternative ways of providing services.
- challenge existing policies and service levels so a complete range of service reductions are identified.
- have considered every issue relating to the potential saving. (including lead-in times, one-off costs and impact on services and policies).
- have considered the statutory requirement to provide the service and at what minimum level, or whether the service is discretionary.
- Explicitly consider if there is scope for efficiencies via closer working with other local authorities particularly in light of our own and South Northants current considerations on closer working .

### **Capital programme Guidelines**

- Officer arrangements for drawing up and monitoring the capital programme and generation of resources is via the Capital Investment and Delivery Group (Officer led group with representation from across the Council )
- The development of 4 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. The 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 Capital Investment Delivery Group. All schemes previously approved for commencement in 2011/12 and onwards will be carried through for consideration.

### **Procurement**

When setting both the 2011/12 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 Councils 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 ~ £18.5m Revenue Budget and ~ £15m annual Capital 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 Corporate Management Team and Executive to review.

## TIMETABLE

### APPENDIX 3

<b>Activity / Report</b>	<b>Date</b>	<b>Month</b>	<b>Year</b>	<b>Output</b>
Budget Guidelines to Executive	11th	October	2010	Report
September 2010 Projections Finalised	TBD	October	2010	Report
Budget Scrutiny Commences	-	October	2010	Activity
Budget Workshops	4th / 11th	October	2010	Activity
Comprehensive Spending Review	20th	October	2010	Report
<b>Draft Budget 1 to CMT</b>	17th	November	2010	Report
<b>Draft Budget 1 to Executive</b>	6th	December	2010	Report
<b>Draft Budget 2 to CMT</b>	15th / 22nd	December	2010	Report
<b>Draft Budget 2 to Executive</b>	10th	January	2011	Report
	19th	January		Report

<b>Final Budget Proposal to CMT</b>			<b>2011</b>	
<b>Final Budget Proposal to Executive</b>	<b>7th</b>	<b>February</b>	<b>2011</b>	<b>Report</b>
<b>Budget Proposal to Council</b>	<b>21st</b>	<b>February</b>	<b>2011</b>	<b>Report</b>