

BUDGET TIMETABLE 2005/06

PROGRAMME AREA RESPONSIBILITY: CORPORATE STRATEGY AND FINANCE

CABINET

15TH JULY 2004

Wards Affected

County-wide

Purpose

To recommend to Cabinet a timetable for setting both the 2005/06 revenue budget and capital programme and also the update of the medium term financial plan. A separate paper in this Cabinet agenda proposes a complimentary process and timetable for public consultation and the Corporate Plan.

Key Decision

This is not a Key Decision.

Recommendation

THAT the timetable, set out in Appendix 1, and principles for setting the 2005/06 capital and revenue budgets reflected in this report be approved by Cabinet.

Background

1. The recent decision by the Government to designate the Council's 2004/05 budget, subject to appeal, has in the clearest possible way signalled its intention to control Council Tax increases deemed excessive. The General Election, which is likely to be held in 2005, will undoubtedly mean that local councils will face the same resourcing constraints next year. The Prime Minister has publicly stated that he expects council tax increases no greater than inflation although for this to happen the central revenue support provided for in the 2002 Comprehensive Spending Review (CSR) will need to be increased considerably. The CSR 2004 due out this summer will update the Government's spending plans.
2. An important and related factor is whether the additional grant support provided this year specifically to limit council tax increases will be included in the base central provision for next year. If not then local authorities will find it extremely difficult to set a budget which can contain council tax increases at around inflation and maintain service provision. The additional grant provided to this Council in mid December amounted to £1,300,000 which was equivalent to a 2% reduction in Council Tax.

Considerations

3. The Council, in establishing the Medium Term Financial Plan for the period 2004/05 to 2007/08, recognised that investment in the order of £7,000,000 would be required over the four year period. The priorities reflected in the plan are set out at Appendix 2 attached. Council ultimately agreed additional resources of £1,860,000 for 2004/05, predominantly in Social Care and ICT.
4. Whilst the position regarding central government support will become clearer following the Comprehensive Spending Review (CSR) 2004, it does seem inevitable that there will be some conflict between the need for investment in services reflecting the Council's priorities and the need to contain increases in Council Tax.
5. A further influencing factor is the Comprehensive Performance Assessment (CPA). Although the Council maintained its position as a "Good " authority at the last review, the revised methodology reflected in CPA 2005 would see this downgraded to the "Fair" category. Primarily, this is as a consequence of "Good" status not being awarded to authorities who score below (2) in the service related scores (i.e. Environment). Although this will not necessarily entail significant additional resources, the rating is dependent on current service levels being at least maintained. However, the increasing pressures on Social Care for Older Peoples Services, for example, make that particular service score, along with others such as Library Services, sensitive to resource input. If the Council is to maintain its status as a "Good" authority, it needs to continue to apply resources to achieving its priorities through its Improvement Plan "Committed to Excellence".
6. Other performance considerations include the Local Public Service Agreement (LPSA). Such Performance Reward Grant as is received, in the two years starting in 2005/06, will be available to assist in securing wider performance gains in non LPSA services in addition to pump priming the second LPSA. The one-off nature of this grant means that it is inadvisable to use it to offset Council Tax increases or fund recurring spending commitments.
7. The clear pressures on the budget over the remainder of the Medium Term Financial Plan period to 2007/08 make the alignment of budget resources to the Council's objectives absolutely essential. With the limitations placed on the ability to raise additional resources through Council Tax, a realignment of existing patterns of spending will also be required. Although the Service Improvement Project will remain a key driver in re-engineering the way services are delivered, a more fundamental review of base budget provision will also be required.
8. The review will need to reflect a number of elements to ensure that it is robust and challenging, including:
 - The statutory requirement to provide current services or otherwise.
 - The extent to which current service provision contributes to the key priorities of the Council as reflected in the forthcoming Corporate Plan for 2005-08.
 - Opportunities to redirect spending on service areas which are not considered to be a high corporate priority to higher priority areas.

- Opportunity to increase income by reviewing charges, including charges for discretionary services where appropriate.
 - The identification of efficiency savings within services with no visible impact on service performance.
9. The capital programme must not be seen in isolation to the revenue budget and Cabinet has made an initial commitment to £5,000,000 of prudential borrowing in each of the next three years. In the context of budgetary constraints, the limitation of capital spending to those projects that deliver significant gains in terms of corporate priorities becomes even more important.

Budget Panel

10. Last year Cabinet approved the operation of the Budget Panel as the means of providing detailed analysis of the budget and budget pressures. A similar but more inquisitorial approach is required this year. Once the broad financial parameters within which the budget is to be set are established by Cabinet, then the Budget Panel would examine the base budget of each Directorate with both the Director and relevant Cabinet Member(s) being required to justify expenditure, to describe service pressures and to react to how the budget might be confined within the known financial parameters.
11. It is proposed:
- That a Budget Panel be appointed with a membership as indicated later in this report.
 - That a higher profile be given to the role of Cabinet Members in receiving representation from other Members of the Council on their own priorities for the revenue budget. That could either be in written form or by pre-arranged appointment.
 - That wider briefings of all Members of the Council, perhaps most appropriately through seminars, are undertaken. The most effective timing for such seminars could be after the CSR 2004 announcement on 12 July and after the announcement of the 2005/06 settlement in late November.
12. It has been previously accepted that the Budget Panel formed to undertake the examination of the individual budget presentations should be representative of the political groups, the Executive and Scrutiny. It is also important that the group should be contained to a size which would enable the "inquisitorial" approach to be effective. The previous principles established the appointment of the Leader of the Council, the Chairman and Vice-Chairman of the Strategic Monitoring Committee and the four political group leaders with no substitutes being permitted. Two of the group leaders, namely the Leader of the Council, Councillor R J Phillips, and the Leader of the Liberal Democrat Group, Councillor T M James, were appointed both by virtue of their group leadership and office. It is, therefore, proposed that additional membership be considered in accordance with paragraph 13 overleaf.

13. Whilst Budget Panel is not a body that needs to be politically proportionate, it is important to recognise the potential imbalance of political representation and it is recommended that consideration should be given to enabling the Leader of the Council to appoint up to two further Members, neither of whom should hold a major service portfolio. It is further recommended, in accordance with best practice, that Trade Union representatives be invited.
14. Budget Panel would then report on its findings and make initial recommendations to Cabinet for consideration. It is important to re-state the responsibility for the recommendations on the budget ultimately lie with the Executive, although the final budget will be determined by Council as a whole.
15. The opportunity would remain, as at present, for Strategic Monitoring Committee to offer views on the budget prior to Cabinet making its recommendations to Council.

2005/06 and beyond

16. It is important that the budget process does not concentrate solely on the 2005/06 revenue budget. It is also important that the Budget Panel take into account the medium-term financial planning needs of the authority both in terms of its capacity to finance the longer term programme and also in relation to the impact on services. The Budget Panel will, therefore, require spending needs to be addressed wherever practicable over a three-year period. There are a number of important reasons for this approach:
 - The need to align expenditure with a strategy for council tax and the priorities within the Corporate Plan.
 - The need to plan expenditure in a way that is consistent with both the current LPSA and any successor LPSA.
 - To ensure that the Council can plan both increases and decreases in service delivery levels in line with likely resources, incorporating the Council's limited reserves.
 - To ensure that future expenditure implications of current decisions are reflected at an early stage in the budget.
 - To ensure that if the Council should wish to take advantage of the flexibility afforded by the introduction of Prudential Guidelines for borrowing in support of capital spending that this can be financed as part of the longer term revenue budget.

Consultation

17. Public consultation will play an important part in the budget setting process and this is subject to a separate report within this Cabinet agenda.

Conclusion

18. The 2005/06 budget could prove to be the most challenging the Council has yet faced. It is critical that resources are aligned to the Council's priorities and that the opportunity is taken to consider whether or not existing patterns of spending should continue. Inevitably this will involve difficult decisions.

Alternative Options

There are no alternative options.

Consultees

Consultees to be engaged from the late summer onwards.

Risk Management

Failure to properly plan in advance for key corporate decision-making processes such as setting the budget can result in ill-informed, short-term decision making. The financial standing of the authority, which has already been adversely affected by the recent capping decision by Government, is measured through the Comprehensive Performance Assessment and one of the key indicators is setting a balanced budget. It is key to the maintenance of the Council's top CPA score for its use of resources that a properly planned and detailed budget process and timetable are in place.

Background Papers

None identified.